

# State of Minnesota



## Office of the State Auditor

Julie Blaha  
State Auditor

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**Otter Tail County**  
**(Including the Otter Tail County Community**  
**Development Agency)**  
**Fergus Falls, Minnesota**

Year Ended December 31, 2019

## **Description of the Office of the State Auditor**

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** – conducts financial and legal compliance audits of local governments;

**Government Information** – collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** – provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** – monitors investment, financial, and actuarial reporting for Minnesota’s local public pension funds; and

**Tax Increment Financing** – promotes compliance and accountability in local governments’ use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**Otter Tail County**  
**(Including the Otter Tail County Community**  
**Development Agency)**  
**Fergus Falls, Minnesota**

Year Ended December 31, 2019



**Audit Practice Division**  
**Office of the State Auditor**  
**State of Minnesota**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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FERGUS FALLS, MINNESOTA**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2019

			<u>Term Expires</u>
<b>Elected</b>			
<b>Commissioners</b>			
Chair	Douglas Huebsch	District 1	January 2021
Board Member	Wayne Johnson	District 2	January 2023
Board Member	John Lindquist	District 3	January 2021
Board Member	Betty Murphy	District 4	January 2023
Vice Chair	Leland Rogness	District 5	January 2021
Attorney	Michelle Eldien		January 2023
Auditor-Treasurer	Wayne Stein		January 2023
County Recorder	Carol Schmaltz		January 2023
County Sheriff	Barry Fitzgibbons		January 2023
<b>Appointed</b>			
Assessor	Doug Walvatne		December 2020
County Engineer	Charles Grotte		May 2022
Medical Examiner	Dr. Gregory Smith		Indefinite
County Administrator	John Dinsmore		Indefinite*
Veterans Service Officer	Charlie Kampa		August 2021
Examiner of Titles	Robert Russell		Indefinite
Solid Waste Director	Chris McConn		Indefinite
<b>Human Services Board</b>			
Chair	Douglas Huebsch		January 2021
Member	Wayne Johnson		January 2023
Member	John Lindquist		January 2021
Member	Betty Murphy		January 2023
Vice Chair	Leland Rogness		January 2021
Human Services Director	Deb Sjostrom		Indefinite
Probation Officer	Michael Schommer		Indefinite
Public Health Director	Jody Lien		Indefinite

\*John Dinsmore retired on January 31, 2020. Nicole Hansen was appointed as County Administrator on January 1, 2020.

**OTTER TAIL COUNTY  
COMMUNITY DEVELOPMENT AGENCY  
FERGUS FALLS, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2019

		<u>Term Expires</u>
Appointed		
Vice Chair	Jeff Ackerson	January 2022
Commissioner	Douglas Huebsch	January 2023
Commissioner	Dena Johnson	January 2022
Commissioner	Val Martin	January 2026
Commissioner	David Ripley	January 2025
Commissioner	Betsy Roder	January 2021
Commissioner	Leland Rogness	January 2026
Chair	David Schornack	January 2024
Commissioner	Greg Swanberg	January 2021
Community Development Director	Amy Baldwin	Indefinite



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JULIE BLAHA  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Otter Tail County  
Fergus Falls, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Otter Tail County, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Otter Tail County as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter – Subsequent Events***

As discussed in Note 9 to the financial statements, subsequent to year-end, the World Health Organization declared a coronavirus (COVID-19) outbreak a pandemic. A reduction of County State Aid from state-collected gasoline tax revenue in calendar year 2021 has occurred or is expected to occur. In addition, it is expected that the County will experience an increase of grant revenues as a result of this pandemic. Also, the County issued a general obligation note related to the SSTS loan program. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Otter Tail County's basic financial statements. The Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing

procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2020, on our consideration of Otter Tail County's and the Otter Tail County Community Development Agency component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Otter Tail County's or the Otter Tail County Community Development Agency component unit's internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Otter Tail County's and the Otter Tail County Community Development Agency component unit's internal control over financial reporting and compliance.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

September 15, 2020

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019  
(Unaudited)**

**INTRODUCTION**

Otter Tail County's Management's Discussion and Analysis (MD&A) provides an overview of financial activities for the fiscal year ended December 31, 2019. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements and the notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of Otter Tail County exceeded its liabilities and deferred inflows of resources on December 31, 2019, by \$215,785,365 (net position).
- As of the close of 2019, Otter Tail County's governmental funds reported combined ending fund balances of \$97,136,219, an increase of \$18,253,832 in comparison with 2018. Of this amount, \$22,743,925 was unassigned by Otter Tail County and thus available for spending at the government's discretion.
- Business-type activities' total net position is \$7,686,385 at December 31, 2019. Net investment in capital assets represents \$4,261,668 of the total.
- Otter Tail County's long-term liabilities (due in more than one year) increased by \$17,208,080, or 26.2 percent, to \$82,935,931 during the current fiscal year. This change is primarily the result of the issuance of 2019 Capital Improvement Bonds for road maintenance/construction projects and for a new highway garage in the Pelican Rapids area.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Otter Tail County's MD&A serves as an introduction to the basic financial statements. Otter Tail County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains certain other supplementary information.

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of Otter Tail County's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of Otter Tail County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Otter Tail County is improving or deteriorating.

The statement of activities present information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of Otter Tail County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of Otter Tail County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, economic development, and interest. Otter Tail County finances the majority of these activities with local property taxes, transportation sales and use tax, state-paid aids, fees, charges for services, and federal and state grants. The County reports its solid waste collection and disposal program, including County-sponsored recycling programs, as a business-type activity.

The government-wide statements include not only the financial data for Otter Tail County itself (known as the primary government), but also the legally separate Prairie Lakes Municipal Solid Waste Authority and Otter Tail County Community Development Agency component units, for which Otter Tail County is financially accountable. Further information for these component units is audited and reported separately from the financial information provided herein for the primary government itself.

The government-wide financial statements can be found on pages 14-17 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Otter Tail County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Otter Tail County can be divided into three broad categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Otter Tail County maintains 15 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Capital Improvement Special Revenue Fund, Construction Capital Projects Fund, Prairie Lakes Municipal Solid Waste Authority Debt Service Fund and Chemical Dependency Debt Service Fund, all of which are considered to be major funds. Data from the other three special revenue and five debt service nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 142-149 of this report.

Otter Tail County adopts an annual appropriated budget. Budgetary comparison schedules have been provided to demonstrate compliance with the fund budgets.

The basic governmental fund financial statements can be found on pages 18-26 of this report.

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Otter Tail County maintains one proprietary fund, an enterprise fund, to account for its solid waste and recycling collection and disposal programs. The proprietary fund financial statements provide information for the Waste Management Enterprise Fund, which is considered to be a major fund of Otter Tail County.

The basic proprietary fund financial statements can be found on pages 27-31 of this report.

Fiduciary funds (agency funds) are reported when the County acts in a trustee capacity or as custodian of funds. All the County's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

The basic fiduciary fund financial statement can be found on page 32 of this report.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-117 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information that can be found on pages 118-140 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Otter Tail County, total net position increased by \$10,580,342 from 2018 to 2019.

### Otter Tail County Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and other assets	\$ 111,995,560	\$ 91,370,992	\$ 6,815,196	\$ 5,774,965	\$ 118,810,756	\$ 97,145,957
Capital assets	189,585,717	182,002,980	4,261,668	4,765,623	193,847,385	186,768,603
<b>Total Assets</b>	<b>\$ 301,581,277</b>	<b>\$ 273,373,972</b>	<b>\$ 11,076,864</b>	<b>\$ 10,540,588</b>	<b>\$ 312,658,141</b>	<b>\$ 283,914,560</b>
<b>Deferred Outflows of Resources</b>						
Deferred amount of refunding	\$ 330,743	\$ 176,288	\$ -	\$ -	\$ 330,743	\$ 176,288
Deferred pension outflows	4,603,128	8,243,309	115,925	226,745	4,719,053	8,470,054
Deferred other postemployment benefits outflows	203,449	172,071	10,506	8,486	213,955	180,557
<b>Total Deferred Outflows of Resources</b>	<b>\$ 5,137,320</b>	<b>\$ 8,591,668</b>	<b>\$ 126,431</b>	<b>\$ 235,231</b>	<b>\$ 5,263,751</b>	<b>\$ 8,826,899</b>
<b>Liabilities</b>						
Long-term liabilities	\$ 84,219,495	\$ 66,848,756	\$ 2,947,961	\$ 3,217,060	\$ 87,167,456	\$ 70,065,816
Other liabilities	5,461,675	4,956,552	264,341	208,947	5,726,016	5,165,499
<b>Total Liabilities</b>	<b>\$ 89,681,170</b>	<b>\$ 71,805,308</b>	<b>\$ 3,212,302</b>	<b>\$ 3,426,007</b>	<b>\$ 92,893,472</b>	<b>\$ 75,231,315</b>
<b>Deferred Inflows of Resources</b>						
Deferred Pension Inflows	\$ 8,938,447	\$ 11,903,782	\$ 304,608	\$ 401,339	\$ 9,243,055	\$ 12,305,121
<b>Net Position</b>						
Net investment in capital assets	\$ 174,769,859	\$ 172,341,365	\$ 4,261,668	\$ 4,765,623	\$ 179,031,527	\$ 177,106,988
Restricted	43,060,453	34,880,522	302,467	-	43,362,920	34,880,522
Unrestricted	(9,731,332)	(8,965,337)	3,122,250	2,182,850	(6,609,082)	(6,782,487)
<b>Total Net Position</b>	<b>\$ 208,098,980</b>	<b>\$ 198,256,550</b>	<b>\$ 7,686,385</b>	<b>\$ 6,948,473</b>	<b>\$ 215,785,365</b>	<b>\$ 205,205,023</b>

(Unaudited)

Page 9

Net investment in capital assets of \$179,031,527 represents the largest portion of net position (83.0 percent). Otter Tail County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Otter Tail County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Otter Tail County's Changes in Net Position is a summary of the County's activity for the year.

**Otter Tail County Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program revenues						
Fees, fines charges and other	\$ 7,813,737	\$ 7,405,414	\$ 8,671,121	\$ 7,234,293	\$ 16,484,858	\$ 14,639,707
Operating grants and contributions	31,816,667	37,937,665	258,349	275,152	32,075,016	38,212,817
Capital grants and contributions	113,669	1,540,675	-	-	113,669	1,540,675
General revenues						
Property taxes	40,200,562	38,713,047	-	-	40,200,562	38,713,047
Other taxes	5,329,473	5,137,316	-	-	5,329,473	5,137,316
Grants and contributions	2,909,172	3,049,049	-	-	2,909,172	3,049,049
Other general revenues	1,935,841	1,777,964	59,070	33,694	1,994,911	1,811,658
<b>Total Revenues</b>	<b>\$ 90,119,121</b>	<b>\$ 95,561,130</b>	<b>\$ 8,988,540</b>	<b>\$ 7,543,139</b>	<b>\$ 99,107,661</b>	<b>\$ 103,104,269</b>
<b>Expenditures</b>						
Program expenses						
General government	\$ 16,911,544	\$ 16,836,612	\$ -	\$ -	\$ 16,911,544	\$ 16,836,612
Public safety	14,481,762	13,020,323	-	-	14,481,762	13,020,323
Highways and streets	18,497,020	18,721,616	-	-	18,497,020	18,721,616
Sanitation	88,072	52,346	-	-	88,072	52,346
Human services	21,659,411	20,509,465	-	-	21,659,411	20,509,465
Health	3,963,215	3,884,891	-	-	3,963,215	3,884,891
Culture and recreation	934,505	923,001	-	-	934,505	923,001
Conservation of natural resources	1,982,305	9,360,358	-	-	1,982,305	9,360,358
Economic development	458,283	405,940	-	-	458,283	405,940
Interest	1,300,574	1,285,600	-	-	1,300,574	1,285,600
Landfill	-	-	8,250,628	7,760,157	8,250,628	7,760,157
<b>Total Program Expenses</b>	<b>\$ 80,276,691</b>	<b>\$ 85,000,152</b>	<b>\$ 8,250,628</b>	<b>\$ 7,760,157</b>	<b>\$ 88,527,319</b>	<b>\$ 92,760,309</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 9,842,430</b>	<b>\$ 10,560,978</b>	<b>\$ 737,912</b>	<b>\$ (217,018)</b>	<b>\$ 10,580,342</b>	<b>\$ 10,343,960</b>

Otter Tail County's governmental activities increased the County's net position during 2019 by \$9,842,430.

Business-type activities of the Waste Management Enterprise Fund increased Otter Tail County's net position by \$737,912.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Otter Tail County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of Otter Tail County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements.

As of December 31, 2019, Otter Tail County's governmental funds reported combined ending fund balances of \$97,136,219, an increase of \$18,253,832 in comparison with the prior year. This is due primarily to the issuance of bonds during 2019.

The General Fund is the chief operating fund of the County and is used to account for all financial resources except those to be accounted for in another fund. The fund balance of Otter Tail County's General Fund increased by \$1,424,661 during the current fiscal year

Special revenue governmental funds account for the proceeds of specific revenue that are restricted, committed or assigned to expenditures for specific purposes.

The Road and Bridge Special Revenue Fund balance increased by \$2,189,750 in 2019.

The Human Services Special Revenue Fund balance increased by \$845,909 in 2019.

The Capital Improvement Special Revenue Fund balance decreased by \$635,703 in 2019.

The Construction Capital Projects Fund balance increased by \$9,017,073 in 2019.

Debt service funds account for the payments of principal, interest and fiscal charges on long-term obligations of Otter Tail County.

The Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance increased by \$5,191,428 in 2019.

The Chemical Dependency Debt Service Fund balance increased by \$47,303 in 2019.

The fund balance as of December 31, 2019, for all other governmental funds increased by \$173,411.

**Proprietary funds.** As previously noted, the Waste Management Enterprise Fund is the County's sole proprietary fund.

## General Fund Budgetary Highlights

The Otter Tail County Board of Commissioners, over the course of a budget year, may amend/revise the County's overall operating budget of the General Fund to reflect changes in revenue sources and expenditures that were not anticipated when the budget was established in the prior year.

Actual revenues for 2019 were \$47,354 less than the final budget. Actual expenditures were less than budgeted expenditures by \$1,409,576 in 2019.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Otter Tail County's investment in capital assets for its governmental and business-type activities as of December 31, 2019 amounts to \$193,847,385 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was 3.8 percent.

#### Capital Assets at Year-End (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 5,640,385	\$ 4,965,768	\$ 195,934	\$ 195,934	\$ 5,836,319	\$ 5,161,702
Construction in progress	7,236,188	20,106,863	-	-	7,236,188	20,106,863
Land improvements	63,432	72,777	-	-	63,432	72,777
Buildings and improvements	28,415,636	29,671,320	2,761,895	2,892,502	31,177,531	32,563,822
Machinery, furniture, vehicles, and equipment	6,912,577	6,159,147	441,358	507,635	7,353,935	6,666,782
Infrastructure	141,317,499	121,027,105	113,593	118,293	141,431,092	121,145,398
Landfill	-	-	748,888	1,051,259	748,888	1,051,259
Totals	<u>\$ 189,585,717</u>	<u>\$ 182,002,980</u>	<u>\$ 4,261,668</u>	<u>\$ 4,765,623</u>	<u>\$ 193,847,385</u>	<u>\$ 186,768,603</u>

More detailed information about Otter Tail County's capital assets can be found in Note 3.A.4. of this report.

### Long-Term Debt

As of December 31, 2019, Otter Tail County had \$55,993,049 in bonds outstanding, compared with \$38,409,583 as of December 31, 2018, an increase of 45.8 percent.

The state limits the amount of net debt that the County can issue to three percent of the market value of all taxable property. Otter Tail County's outstanding net debt is significantly below the state-imposed limit. The County's financial advisor annually reviews the outstanding debt issues to determine which, if any, issues should be considered for refinancing.

### Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Bonds payable						
General obligation bonds	\$ 23,550,000	\$ 12,340,000	\$ -	\$ -	\$ 23,550,000	\$ 12,340,000
Revenue bonds	30,575,000	25,445,000	-	-	30,575,000	25,445,000
Plus: Unamortized premium	1,946,502	711,760	-	-	1,946,502	711,760
Less: Unamortized discount	(78,453)	(87,177)	-	-	(78,453)	(87,177)
Totals	<u>\$ 55,993,049</u>	<u>\$ 38,409,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,993,049</u>	<u>\$ 38,409,583</u>

Other obligations include capital leases, compensated absences, other postemployment benefits liability, landfill closure and post-closure care costs, and net pension liability. The notes to the financial statements (Notes 3.C.3 - 3.E.2 and Note 4) provide detailed information about the County's long-term liabilities.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Otter Tail County's budget balances its fiscal responsibility with the need to ensure quality county services. The County's elected and appointed officials consider many factors when setting the budget, tax rates, and fees that will be charged for the business-type activities.

Otter Tail County's net tax capacity (tax base) for taxes Payable in 2019 was \$97,145,152, which was 5.71 percent more than 2018.

By the end of 2019, Otter Tail County had approved its balanced 2020 revenue and expenditures budgets. The 2020 total levy is \$42,292,936 which is an increase of \$2,141,366 or 5.33 percent compared to the 2019 levy of \$40,151,570.

### REQUESTS FOR INFORMATION

Otter Tail County's financial report provides citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances, and it shows accountability for the money it receives and spends. If you have questions about this report, or need additional financial information, contact Wayne Stein, County Auditor-Treasurer (218-998-8041) or Kris Vipond, Assistant Finance Director (218-998-8034) at the Otter Tail County Government Services Center, 510 Fir Avenue West, Fergus Falls, Minnesota 56537.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT 1*

**STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

	<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 64,722,832	\$ 2,298,166	\$ 67,020,998	\$ 1,495,122
Taxes receivable – delinquent	800,989	-	800,989	-
Special assessments receivable				
Delinquent	10,350	-	10,350	-
Noncurrent	606,561	-	606,561	-
Accounts receivable	125,584	328,168	453,752	165,051
Accrued interest receivable	183,249	-	183,249	-
Internal balances	(2,078)	2,078	-	-
Due from other governments	11,061,767	91,143	11,152,910	-
Due from component unit	150,550	-	150,550	-
Lease receivable	71,725	-	71,725	-
Inventories	532,871	-	532,871	-
Prepaid items	20,561	-	20,561	29,313
Restricted assets				
Permanently restricted				
Cash and pooled investments	-	1,448,905	1,448,905	-
Temporarily restricted				
Cash with escrow agent	8,700,599	-	8,700,599	-
Advance to component unit	24,360,000	2,646,736	27,006,736	-
Long-term lease receivable	650,000	-	650,000	-
Capital assets				
Non-depreciable	12,876,573	195,934	13,072,507	25,489
Depreciable – net of accumulated depreciation	176,709,144	4,065,734	180,774,878	29,709,545
<b>Total Assets</b>	<b>\$ 301,581,277</b>	<b>\$ 11,076,864</b>	<b>\$ 312,658,141</b>	<b>\$ 31,424,520</b>
<b><u>Deferred Outflows of Resources</u></b>				
Deferred amount on refunding	\$ 330,743	\$ -	\$ 330,743	\$ -
Deferred pension outflows	4,603,128	115,925	4,719,053	123,601
Deferred other postemployment benefits outflows	203,449	10,506	213,955	-
<b>Total Deferred Outflows of Resources</b>	<b>\$ 5,137,320</b>	<b>\$ 126,431</b>	<b>\$ 5,263,751</b>	<b>\$ 123,601</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

	<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b><u>Liabilities</u></b>				
Accounts payable	\$ 1,139,887	\$ 158,049	\$ 1,297,936	\$ 109,135
Salaries payable	1,787,113	102,372	1,889,485	99,630
Contracts payable	1,229,384	-	1,229,384	-
Due to other governments	403,742	3,920	407,662	127,263
Due to primary government	-	-	-	150,550
Accrued interest payable	594,405	-	594,405	341
Security deposits	15,000	-	15,000	-
Employee deposits	292,144	-	292,144	-
Advance from primary government	-	-	-	27,006,736
Long-term liabilities				
Due within one year	4,139,512	92,013	4,231,525	132,325
Due in more than one year	57,266,154	1,465,809	58,731,963	418,842
Other postemployment benefits liability	2,807,006	144,950	2,951,956	-
Net pension liability	20,006,823	1,245,189	21,252,012	1,420,895
<b>Total Liabilities</b>	<b>\$ 89,681,170</b>	<b>\$ 3,212,302</b>	<b>\$ 92,893,472</b>	<b>\$ 29,465,717</b>
<b><u>Deferred Inflows of Resources</u></b>				
Deferred pension inflows	<b>\$ 8,938,447</b>	<b>\$ 304,608</b>	<b>\$ 9,243,055</b>	<b>\$ 297,124</b>
<b><u>Net Position</u></b>				
Net investment in capital assets	\$ 174,769,859	\$ 4,261,668	\$ 179,031,527	\$ 5,364,520
Restricted for				
General government	935,418	-	935,418	-
Public safety	711,906	-	711,906	-
Highways and streets	6,061,791	-	6,061,791	-
Human services	117,026	-	117,026	-
Conservation of natural resources	1,344,024	-	1,344,024	-
Debt service	33,748,619	-	33,748,619	-
Postclosure care	-	302,467	302,467	-
Held in trust for other purposes	141,669	-	141,669	-
Unrestricted	(9,731,332)	3,122,250	(6,609,082)	(3,579,240)
<b>Total Net Position</b>	<b>\$ 208,098,980</b>	<b>\$ 7,686,385</b>	<b>\$ 215,785,365</b>	<b>\$ 1,785,280</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b><u>Functions/Programs</u></b>			
<b>Primary Government</b>			
<b>Governmental activities</b>			
General government	\$ 16,911,544	\$ 3,687,728	\$ 1,205,147
Public safety	14,481,762	601,211	1,182,672
Highways and streets	18,497,020	770,490	14,839,083
Sanitation	88,072	-	-
Human services	21,659,411	1,139,741	10,940,800
Health	3,963,215	1,228,471	1,811,480
Culture and recreation	934,505	22,997	-
Conservation of natural resources	1,982,305	359,933	751,551
Economic development	458,283	3,166	-
Interest	1,300,574	-	1,085,934
<b>Total governmental activities</b>	<b>\$ 80,276,691</b>	<b>\$ 7,813,737</b>	<b>\$ 31,816,667</b>
<b>Business-type activities</b>			
Solid waste	8,250,628	8,671,121	258,349
<b>Total Primary Government</b>	<b>\$ 88,527,319</b>	<b>\$ 16,484,858</b>	<b>\$ 32,075,016</b>
<b>Discretely Presented Component Units</b>	<b>\$ 8,619,680</b>	<b>\$ 8,234,478</b>	<b>\$ -</b>

**General Revenues**

Property taxes  
Transportation sales and use tax  
Taxes – other  
Wheelage taxes  
Grants and contributions not restricted to specific programs  
Payments in lieu of tax  
Investment earnings  
Miscellaneous

**Total general revenues**

**Change in net position**

**Net Position – Beginning**

**Net Position – Ending**

EXHIBIT 2

Net (Expense) Revenue and Change in Net Position				
Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Discretely Presented Component Units
\$ -	\$ (12,018,669)	\$ -	\$ (12,018,669)	
-	(12,697,879)	-	(12,697,879)	
113,669	(2,773,778)	-	(2,773,778)	
-	(88,072)	-	(88,072)	
-	(9,578,870)	-	(9,578,870)	
-	(923,264)	-	(923,264)	
-	(911,508)	-	(911,508)	
-	(870,821)	-	(870,821)	
-	(455,117)	-	(455,117)	
-	(214,640)	-	(214,640)	
<b>\$ 113,669</b>	<b>\$ (40,532,618)</b>	<b>\$ -</b>	<b>\$ (40,532,618)</b>	
-	-	678,842	678,842	
<b>\$ 113,669</b>	<b>\$ (40,532,618)</b>	<b>\$ 678,842</b>	<b>\$ (39,853,776)</b>	
<b>\$ -</b>				<b>\$ (385,202)</b>
	\$ 40,200,562	\$ -	\$ 40,200,562	\$ 515,300
	3,861,957	-	3,861,957	-
	191,145	-	191,145	-
	1,276,371	-	1,276,371	-
	2,909,172	-	2,909,172	-
	523,191	-	523,191	-
	278,949	59,070	338,019	-
	1,133,701	-	1,133,701	-
	<b>\$ 50,375,048</b>	<b>\$ 59,070</b>	<b>\$ 50,434,118</b>	<b>\$ 515,300</b>
	<b>\$ 9,842,430</b>	<b>\$ 737,912</b>	<b>\$ 10,580,342</b>	<b>\$ 130,098</b>
	<b>198,256,550</b>	<b>6,948,473</b>	<b>205,205,023</b>	<b>1,655,182</b>
	<b>\$ 208,098,980</b>	<b>\$ 7,686,385</b>	<b>\$ 215,785,365</b>	<b>\$ 1,785,280</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	<b>General</b>	<b>Road and Bridge</b>	<b>Human Services</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 25,976,080	\$ 7,291,643	\$ 12,320,174
Petty cash and change funds	3,900	50	200
Undistributed cash in agency funds	447,765	58,756	196,060
Taxes receivable – delinquent	422,826	72,198	233,406
Special assessments			
Delinquent	-	763	-
Noncurrent	-	-	-
Accounts receivable	40,140	256	71,608
Accrued interest receivable	183,249	-	-
Due from other funds	5,984	37,881	-
Due from other governments	130,129	8,775,415	2,139,951
Lease receivable	721,725	-	-
Advance to other funds	570,387	-	1,898,725
Inventories	-	532,871	-
Prepaid items	20,561	-	-
Advance to component unit	-	-	-
Restricted assets			
Temporarily restricted			
Cash with escrow agent	-	-	-
<b>Total Assets</b>	<b>\$ 28,522,746</b>	<b>\$ 16,769,833</b>	<b>\$ 16,860,124</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 218,893	\$ 316,957	\$ 565,742
Salaries payable	859,726	257,734	669,653
Contracts payable	-	1,009,817	-
Due to other funds	10,827	-	5,984
Due to other governments	20,965	13,599	367,223
Advance from other funds	-	-	-
Security deposit	-	-	-
Employee deposits	292,144	-	-
<b>Total Liabilities</b>	<b>\$ 1,402,555</b>	<b>\$ 1,598,107</b>	<b>\$ 1,608,602</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenues	<b>\$ 501,310</b>	<b>\$ 8,134,588</b>	<b>\$ 535,397</b>

**EXHIBIT 3**

<u>Capital Improvement</u>	<u>Construction Capital Projects</u>	<u>Prairie Lakes Municipal Solid Waste Authority Debt Service</u>	<u>Chemical Dependency Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 6,276,660	\$ 9,310,610	\$ 3,563	\$ 16,278	\$ 2,756,466	\$ 63,951,474
-	-	-	-	-	4,150
34,556	-	-	-	30,071	767,208
46,684	-	-	-	25,875	800,989
-	-	-	-	9,587	10,350
-	-	-	-	606,561	606,561
13,580	-	-	-	-	125,584
-	-	-	-	-	183,249
6,664	-	-	-	-	50,529
11,844	-	-	-	4,428	11,061,767
-	-	-	-	-	721,725
-	-	-	-	-	2,469,112
-	-	-	-	-	532,871
-	-	-	-	-	20,561
-	-	24,360,000	-	-	24,360,000
-	-	6,271,598	2,429,001	-	8,700,599
<b>\$ 6,389,988</b>	<b>\$ 9,310,610</b>	<b>\$ 30,635,161</b>	<b>\$ 2,445,279</b>	<b>\$ 3,432,988</b>	<b>\$ 114,366,729</b>
\$ 32,905	\$ -	\$ -	\$ -	\$ 5,390	\$ 1,139,887
-	-	-	-	-	1,787,113
-	219,567	-	-	-	1,229,384
-	-	-	-	36,551	53,362
1,200	-	-	-	-	402,987
-	-	-	1,898,725	570,387	2,469,112
-	-	-	15,000	-	15,000
-	-	-	-	-	292,144
<b>\$ 34,105</b>	<b>\$ 219,567</b>	<b>\$ -</b>	<b>\$ 1,913,725</b>	<b>\$ 612,328</b>	<b>\$ 7,388,989</b>
<b>\$ 35,952</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 634,274</b>	<b>\$ 9,841,521</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	<b>General</b>	<b>Road and Bridge</b>	<b>Human Services</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>(Continued)</b>			
<b>Fund Balances</b>			
Nonspendable			
Inventories	\$ -	\$ 532,871	\$ -
Prepaid items	20,561	-	-
Advance to other funds	570,387	-	1,898,725
Missing heirs	141,669	-	-
Restricted			
Debt service	736,720	-	-
Law library	-	-	-
Recorder's technology equipment	198,519	-	-
Real estate shortfall	360,627	-	-
E-911	-	-	-
Recorder's compliance	250,284	-	-
County state-aid highway system	-	143,405	-
Handgun permits	46,775	-	-
Ditch maintenance and construction	-	-	-
Sheriff's contingencies	-	-	-
Aquatic invasive species	619,705	-	-
Child protection	-	-	117,026
Assigned			
Property and casualty insurance	226,859	143,440	58,521
Workers' compensation	167,497	106,484	54,876
Veteran's van	5,109	-	-
Emergency management	6,124	-	-
General government	-	-	-
Public safety	-	-	1,926,719
Highways and streets	-	6,110,938	-
Human services	-	-	8,735,027
Health	-	-	1,925,231
Culture and recreation	-	-	-
Capital outlay	-	-	-
Unassigned	23,268,045	-	-
<b>Total Fund Balances</b>	<b>\$ 26,618,881</b>	<b>\$ 7,037,138</b>	<b>\$ 14,716,125</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 28,522,746</b>	<b>\$ 16,769,833</b>	<b>\$ 16,860,124</b>

**EXHIBIT 3**  
**(Continued)**

<u>Capital Improvement</u>	<u>Construction Capital Projects</u>	<u>Prairie Lakes Municipal Solid Waste Authority Debt Service</u>	<u>Chemical Dependency Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 532,871
-	-	-	-	-	20,561
-	-	-	-	-	2,469,112
-	-	-	-	-	141,669
-	-	30,635,161	531,554	1,845,184	33,748,619
-	-	-	-	125,988	125,988
-	-	-	-	-	198,519
-	-	-	-	-	360,627
660,131	-	-	-	-	660,131
-	-	-	-	-	250,284
-	-	-	-	-	143,405
-	-	-	-	-	46,775
-	-	-	-	724,319	724,319
-	-	-	-	5,000	5,000
-	-	-	-	-	619,705
-	-	-	-	-	117,026
-	-	-	-	-	428,820
-	-	-	-	-	328,857
-	-	-	-	-	5,109
-	-	-	-	-	6,124
622,578	-	-	-	-	622,578
1,332,318	-	-	-	10,015	3,269,052
2,748,398	-	-	-	-	8,859,336
224,128	-	-	-	-	8,959,155
147,721	-	-	-	-	2,072,952
584,657	-	-	-	-	584,657
-	9,091,043	-	-	-	9,091,043
-	-	-	-	(524,120)	22,743,925
<b>\$ 6,319,931</b>	<b>\$ 9,091,043</b>	<b>\$ 30,635,161</b>	<b>\$ 531,554</b>	<b>\$ 2,186,386</b>	<b>\$ 97,136,219</b>
<b>\$ 6,389,988</b>	<b>\$ 9,310,610</b>	<b>\$ 30,635,161</b>	<b>\$ 2,445,279</b>	<b>\$ 3,432,988</b>	<b>\$ 114,366,729</b>

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2019**

<b>Fund balances – total governmental funds (Exhibit 3)</b>		<b>\$ 97,136,219</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		189,585,717
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		9,841,521
Deferred outflows of resources are not available resources, and, therefore are not reported in the governmental funds.		
Deferred amount on refunding	\$ 330,743	
Deferred pension outflows	4,603,128	
Deferred other postemployment benefits outflows	<u>203,449</u>	5,137,320
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		150,550
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (23,550,000)	
Revenue bonds	(30,575,000)	
Bond discounts	78,453	
Bond premiums	(1,946,502)	
Accrued interest payable	(594,405)	
Compensated absences	(5,410,892)	
Capital leases payable	(1,725)	
Other postemployment benefits liability	(2,807,006)	
Net pension liability	<u>(20,006,823)</u>	(84,813,900)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(8,938,447)</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>		<b><u><u>\$ 208,098,980</u></u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Revenues</b>			
Taxes	\$ 21,755,051	\$ 8,665,524	\$ 11,874,043
Special assessments	36,105	-	-
Licenses and permits	525,846	-	178,542
Intergovernmental	4,095,662	13,054,712	14,104,834
Charges for services	1,445,488	614,719	1,900,375
Fines and forfeits	12,826	-	-
Gifts and contributions	2,200	-	30,285
Investment earnings	783,123	-	1,218
Miscellaneous	2,130,590	202,258	513,154
<b>Total Revenues</b>	<b>\$ 30,786,891</b>	<b>\$ 22,537,213</b>	<b>\$ 28,602,451</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 15,198,689	\$ -	\$ -
Public safety	10,961,610	-	2,488,226
Highways and streets	-	18,847,700	-
Human services	-	-	21,425,157
Health	-	-	3,843,159
Culture and recreation	927,478	-	-
Conservation of natural resources	1,711,573	-	-
Economic development	448,326	-	-
<b>Intergovernmental</b>			
Highways and streets	-	1,604,962	-
<b>Debt service</b>			
Principal	26,924	-	-
Interest	1,579	-	-
Bond issuance costs	-	-	-
<b>Total Expenditures</b>	<b>\$ 29,276,179</b>	<b>\$ 20,452,662</b>	<b>\$ 27,756,542</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,510,712</b>	<b>\$ 2,084,551</b>	<b>\$ 845,909</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 1,524	\$ -	\$ -
Transfers out	(87,575)	-	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (86,051)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ 1,424,661</b>	<b>\$ 2,084,551</b>	<b>\$ 845,909</b>
<b>Fund Balance – January 1</b>	<b>25,194,220</b>	<b>4,847,388</b>	<b>13,870,216</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>105,199</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 26,618,881</b>	<b>\$ 7,037,138</b>	<b>\$ 14,716,125</b>

**EXHIBIT 5**

<b>Capital Improvement</b>	<b>Construction Capital Projects</b>	<b>Prairie Lakes Municipal Solid Waste Authority Debt Service</b>	<b>Chemical Dependency Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 2,036,877	\$ -	\$ -	\$ -	\$ 1,140,242	\$ 45,471,737
-	-	-	-	363,415	399,520
-	-	-	-	-	704,388
287,486	-	1,085,934	500,000	171,303	33,299,931
-	-	-	-	-	3,960,582
-	-	-	-	58,891	71,717
-	-	-	-	-	32,485
83,825	184,230	-	-	452	1,052,848
62,282	-	-	53,500	-	2,961,784
<b>\$ 2,470,470</b>	<b>\$ 184,230</b>	<b>\$ 1,085,934</b>	<b>\$ 553,500</b>	<b>\$ 1,734,303</b>	<b>\$ 87,954,992</b>
\$ 396,646	\$ -	\$ -	\$ -	\$ 50,744	\$ 15,646,079
661,400	-	-	-	6,177	14,117,413
1,501,071	5,097,809	-	-	-	25,446,580
133,999	-	-	-	-	21,559,156
116,635	-	-	-	-	3,959,794
291,827	-	-	-	-	1,219,305
4,595	-	-	-	230,530	1,946,698
-	-	-	-	-	448,326
-	-	-	-	-	1,604,962
-	-	1,235,000	-	1,680,000	2,941,924
-	-	936,434	4,922	318,090	1,261,025
-	170,003	88,072	-	-	258,075
<b>\$ 3,106,173</b>	<b>\$ 5,267,812</b>	<b>\$ 2,259,506</b>	<b>\$ 4,922</b>	<b>\$ 2,285,541</b>	<b>\$ 90,409,337</b>
<b>\$ (635,703)</b>	<b>\$ (5,083,582)</b>	<b>\$ (1,173,572)</b>	<b>\$ 548,578</b>	<b>\$ (551,238)</b>	<b>\$ (2,454,345)</b>
\$ -	\$ -	\$ -	\$ -	\$ 1,498,586	\$ 1,500,110
-	(73,970)	-	(501,275)	(837,290)	(1,500,110)
-	12,826,647	6,365,000	-	63,353	19,255,000
-	1,347,978	-	-	-	1,347,978
<b>\$ -</b>	<b>\$ 14,100,655</b>	<b>\$ 6,365,000</b>	<b>\$ (501,275)</b>	<b>\$ 724,649</b>	<b>\$ 20,602,978</b>
\$ (635,703)	\$ 9,017,073	\$ 5,191,428	\$ 47,303	\$ 173,411	\$ 18,148,633
6,955,634	73,970	25,443,733	484,251	2,012,975	78,882,387
-	-	-	-	-	105,199
<b>\$ 6,319,931</b>	<b>\$ 9,091,043</b>	<b>\$ 30,635,161</b>	<b>\$ 531,554</b>	<b>\$ 2,186,386</b>	<b>\$ 97,136,219</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Net change in fund balance – total governmental funds (Exhibit 5) \$ 18,148,633**

Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Deferred inflows of resources – unavailable revenues – December 31	\$ 9,841,521	
Deferred inflows of resources – unavailable revenues – January 1	<u>(7,670,865)</u>	2,170,656

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets and infrastructure	\$ 17,346,447	
Net book value of capital assets disposed	(124,204)	
Current year depreciation	<u>(9,639,506)</u>	7,582,737

Change in long-term receivable reported as due from component unit in the statement of activities but not reported in governmental funds.		(6,527)
---	--	---------

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

Proceeds of new debt		
Bonds issued	\$ (19,255,000)	
Premium on bonds issued	<u>(1,347,978)</u>	(20,602,978)
Principal repayments		
General obligation bonds	\$ 1,680,000	
Revenue bonds	1,235,000	
Capital leases	<u>26,924</u>	2,941,924

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 6  
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$	(298,516)	
Amortization of premiums and discounts		104,512	
Change in compensated absences		92,537	
Change in other postemployment benefits		(101,568)	
Change in net pension liability		194,834	
Change in deferred pension outflows		(3,640,181)	
Change in deferred amount on refunding		154,455	
Change in deferred pension inflows		2,965,335	
Change in deferred other postemployment benefits outflows		31,378	
Change in inventories		105,199	(392,015)
<b>Change in Net Position of Governmental Activities (Exhibit 2)</b>			<b><u><u>\$ 9,842,430</u></u></b>

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**PROPRIETARY FUND**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FUND NET POSITION  
WASTE MANAGEMENT ENTERPRISE FUND  
DECEMBER 31, 2019**

**Assets**

Current assets	
Cash and pooled investments	\$ 2,184,803
Petty cash and change funds	18,740
Undistributed cash in agency funds	94,623
Accounts receivable	328,168
Due from other funds	2,319
Due from other governments	91,143
	91,143
<b>Total current assets</b>	<b>\$ 2,719,796</b>
Restricted assets	
Cash and pooled investments	\$ 1,448,905
	1,448,905
Noncurrent assets	
Advance to component unit	\$ 2,646,736
Capital assets	
Non-depreciable	195,934
Depreciable – net of accumulated depreciation	4,065,734
	4,065,734
<b>Total noncurrent assets</b>	<b>\$ 6,908,404</b>
<b>Total Assets</b>	<b>\$ 11,077,105</b>

**Deferred Outflows of Resources**

Deferred pension outflows	\$ 115,925
Deferred other postemployment benefits outflows	10,506
	10,506
<b>Total Deferred Outflows of Resources</b>	<b>\$ 126,431</b>

**Liabilities**

Current liabilities	
Accounts payable	\$ 158,049
Salaries payable	102,372
Compensated absences payable	92,013
Due to other funds	241
Due to other governments	3,920
	3,920
<b>Total current liabilities</b>	<b>\$ 356,595</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 7  
(Continued)**

**STATEMENT OF FUND NET POSITION  
WASTE MANAGEMENT ENTERPRISE FUND  
DECEMBER 31, 2019**

**Liabilities (Continued)**

Noncurrent liabilities	
Compensated absences payable	\$ 319,371
Estimated liability for landfill closure/postclosure care	1,146,438
Other postemployment benefits liability	144,950
Net pension liability	1,245,189
	<hr/>
<b>Total noncurrent liabilities</b>	<b>\$ 2,855,948</b>
	<hr/>
<b>Total Liabilities</b>	<b>\$ 3,212,543</b>

**Deferred Inflows of Resources**

Deferred pension inflows	\$ 304,608
--------------------------	------------

**Net Position**

Investment in capital assets	\$ 4,261,668
Restricted for postclosure care costs	302,467
Unrestricted	3,122,250
	<hr/>
<b>Total Net Position</b>	<b>\$ 7,686,385</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT 8*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
WASTE MANAGEMENT ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Operating Revenues</b>	
Charges for services	\$ 8,165,810
Licenses and permits	2,870
Sale of recyclable materials	370,674
Miscellaneous	<u>131,767</u>
<b>Total Operating Revenues</b>	<b><u>\$ 8,671,121</u></b>
<b>Operating Expenses</b>	
SCORE	\$ 1,684,482
Waste management	3,418,485
Household hazardous waste	185,799
Processing costs	2,752,884
Depreciation	572,269
Landfill closure and postclosure care costs	<u>(363,291)</u>
<b>Total Operating Expenses</b>	<b><u>\$ 8,250,628</u></b>
<b>Operating Income (Loss)</b>	<b><u>\$ 420,493</u></b>
<b>Nonoperating Revenues (Expenses)</b>	
Intergovernmental	\$ 258,349
Interest income	34,979
Interest income restricted for sanitation	<u>24,091</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>\$ 317,419</u></b>
<b>Change in Net Position</b>	<b><u>\$ 737,912</u></b>
<b>Net Position – January 1</b>	<b><u>6,948,473</u></b>
<b>Net Position – December 31</b>	<b><u><u>\$ 7,686,385</u></u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
WASTE MANAGEMENT ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 8,591,883
Payments to suppliers	(5,596,228)
Payments to employees	<u>(2,310,273)</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ 685,382</u></b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Intergovernmental	<u>\$ 258,349</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of capital assets	<u>\$ (68,314)</u>
<b>Cash Flows from Investing Activities</b>	
Investment earnings received	<u>\$ 58,154</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 933,571</b>
<b>Cash and Cash Equivalents at January 1</b>	<b><u>2,813,500</u></b>
<b>Cash and Cash Equivalents at December 31</b>	<b><u><u>\$ 3,747,071</u></u></b>
<b>Cash and Cash Equivalents – Exhibit 7</b>	
Cash and pooled investments	\$ 2,184,803
Petty cash and change funds	18,740
Undistributed cash in agency funds	94,623
Restricted cash and pooled investments	<u>1,448,905</u>
<b>Total Cash and Cash Equivalents</b>	<b><u><u>\$ 3,747,071</u></u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT 9  
(Continued)***

**STATEMENT OF CASH FLOWS  
WASTE MANAGEMENT ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
<b>Operating income (loss)</b>	<b>\$ <u>420,493</u></b>
 <b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 572,269
(Increase) decrease in accounts receivable	(57,923)
(Increase) decrease in due from other governments	(21,315)
(Increase) decrease in advance to component unit	92,153
(Increase) decrease in deferred pension outflows	110,820
(Increase) decrease in deferred other postemployment benefits outflows	(2,020)
Increase (decrease) in accounts payable	49,501
Increase (decrease) in salaries payable	3,719
Increase (decrease) in compensated absences – current	8,292
Increase (decrease) in due to other funds	(118,659)
Increase (decrease) in due to other governments	2,174
Increase (decrease) in compensated absences – long-term	24,718
Increase (decrease) in other postemployment benefits liability	10,169
Increase (decrease) in deferred pension inflows	(96,731)
Increase (decrease) in net pension liability	51,013
Increase (decrease) in landfill closure/postclosure care	<u>(363,291)</u>
 <b>Total adjustments</b>	 <b>\$ <u>264,889</u></b>
 <b>Net Cash Provided by (Used in) Operating Activities</b>	 <b>\$ <u><u>685,382</u></u></b>

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## **FIDUCIARY FUNDS**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT 10*

**STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2019**

<u>Assets</u>	
Cash and pooled investments	\$ 2,097,097
Due from other funds	<u>755</u>
<b>Total Assets</b>	<b><u><u>\$ 2,097,852</u></u></b>
 <u>Liabilities</u>	
Accounts payable	\$ 10,761
Due to other governments	<u>2,087,091</u>
<b>Total Liabilities</b>	<b><u><u>\$ 2,097,852</u></u></b>

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**DISCRETELY PRESENTED COMPONENT UNITS**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 11**

**COMBINING STATEMENT OF NET POSITION  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2019**

	<b>Prairie Lakes Municipal Solid Waste Authority</b>	<b>Community Development Agency</b>	<b>Total</b>
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and pooled investments	\$ 1,120,224	\$ 374,898	\$ 1,495,122
Accounts receivable	165,051	-	165,051
Prepaid items	29,313	-	29,313
<b>Total current assets</b>	<b>\$ 1,314,588</b>	<b>\$ 374,898</b>	<b>\$ 1,689,486</b>
<b>Noncurrent assets</b>			
Capital assets			
Nondepreciable	\$ 25,489	\$ -	\$ 25,489
Depreciable – net	29,709,545	-	29,709,545
<b>Total noncurrent assets</b>	<b>\$ 29,735,034</b>	<b>\$ -</b>	<b>\$ 29,735,034</b>
<b>Total Assets</b>	<b>\$ 31,049,622</b>	<b>\$ 374,898</b>	<b>\$ 31,424,520</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred pension outflows	\$ 123,601	\$ -	\$ 123,601
<b><u>Liabilities</u></b>			
<b>Current liabilities</b>			
Accounts payable	\$ 105,738	\$ 3,397	\$ 109,135
Salaries payable	99,630	-	99,630
Advance from primary government – current	1,285,000	-	1,285,000
Due to other governments	127,263	-	127,263
Due to primary government	150,550	-	150,550
Accrued interest payable	341	-	341
Loans payable – current	47,757	-	47,757
Compensated absences payable – current	84,568	-	84,568
<b>Total current liabilities</b>	<b>\$ 1,900,847</b>	<b>\$ 3,397</b>	<b>\$ 1,904,244</b>
<b>Noncurrent liabilities</b>			
Advance from primary government	\$ 25,721,736	\$ -	\$ 25,721,736
Loans payable – long-term	112,758	-	112,758
Compensated absences payable – long-term	306,084	-	306,084
Net pension liability	1,420,895	-	1,420,895
<b>Total noncurrent liabilities</b>	<b>\$ 27,561,473</b>	<b>\$ -</b>	<b>\$ 27,561,473</b>
<b>Total Liabilities</b>	<b>\$ 29,462,320</b>	<b>\$ 3,397</b>	<b>\$ 29,465,717</b>

The notes to the financial statements are an integral part of this statement.

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 11  
(Continued)**

**COMBINING STATEMENT OF NET POSITION  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2019**

	<u>Prairie Lakes Municipal Solid Waste Authority</u>	<u>Community Development Agency</u>	<u>Total</u>
<b><u>Deferred Inflows of Resources</u></b>			
Deferred pension inflows	\$ 297,124	\$ -	\$ 297,124
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ 5,364,520	\$ -	\$ 5,364,520
Unrestricted	(3,950,741)	371,501	(3,579,240)
<b>Total Net Position</b>	<b><u>\$ 1,413,779</u></b>	<b><u>\$ 371,501</u></b>	<b><u>\$ 1,785,280</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT 12*

**COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Expenses</u>	<u>Program Revenues Fees, Charges, Fines, and Other</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
			<u>Prairie Lakes Municipal Solid Waste Authority</u>	<u>Community Development Agency</u>	<u>Total</u>
<b>Component Units</b>					
Prairie Lakes Municipal Solid Waste Authority	\$ 8,475,881	\$ 8,234,478	\$ (241,403)	\$ -	\$ (241,403)
Community Development Agency	143,799	-	-	(143,799)	(143,799)
<b>Total Component Units</b>	<b>\$ 8,619,680</b>	<b>\$ 8,234,478</b>	<b>\$ (241,403)</b>	<b>\$ (143,799)</b>	<b>\$ (385,202)</b>
<b>General Revenues</b>					
Property tax			-	515,300	515,300
<b>Change in Net Position</b>			<b>\$ (241,403)</b>	<b>\$ 371,501</b>	<b>\$ 130,098</b>
<b>Net Position – January 1</b>			<b>1,655,182</b>	<b>-</b>	<b>1,655,182</b>
<b>Net Position – December 31</b>			<b>\$ 1,413,779</b>	<b>\$ 371,501</b>	<b>\$ 1,785,280</b>

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

1. Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2019. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Otter Tail County was established March 18, 1858, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Discretely Presented Component Units

While part of the reporting entity, the discretely presented component units are presented in separate columns in the government-wide financial statements to emphasize that they are legally separate from the County. The following component units of Otter Tail County are discretely presented:

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements Available at</u>
Otter Tail County Community Development Agency (CDA)	The County appoints board members, employs the persons responsible for the day-to-day operations (management), and is financially accountable for the Community Development Agency.	The Otter Tail County CDA does not issue separate financial statements.
Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes)	The County appoints members and is financially accountable for the Prairie Lakes Municipal Solid Waste Authority.	Prairie Lakes Municipal Solid Waste Authority 115 North Tower Road Fergus Falls, Minnesota 56537

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures and Jointly-Governed Organizations

The County participates in several joint ventures described in Note 7.B. The County also participates in the jointly-governed organizations described in Note 7.C.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the County (the primary government) and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function, segment, or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways. Revenues include property taxes, intergovernmental assistance, and charges for services.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs. Revenues include property taxes, intergovernmental assistance, and charges for services.

The Capital Improvement Special Revenue Fund is used to finance equipment acquisition or repair of buildings and other capital improvements. Financing is provided by a tax levy and intergovernmental revenue.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Construction Capital Projects Fund is used to account for the costs associated with remodeling, renovations, and improvements to the Otter Tail County Courthouse, the Government Services Center, and various lake improvement projects.

The Prairie Lakes Municipal Solid Waste Authority Debt Service Fund is used to account for the retirement of the bonds issued for the acquisition and improvement by the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board of the solid waste disposal facilities known as the Perham Resource Recovery Facility.

The Chemical Dependency Debt Service Fund is used to account for the retirement of bonds issued for the construction of the Chemical Dependency Facility.

The County reports the following major enterprise fund:

The Waste Management Enterprise Fund is used to account for the financial activities relating to the operation of waste disposal sites owned by Otter Tail County.

The County reports the following non-major governmental funds:

Special Revenue Funds

County Ditch  
Law Library  
Sheriff's Contingent

Debt Service Funds

Government Service Center  
Sheriff's Operations  
Highway Construction  
Master Facility Construction  
Detention Facility  
Public Buildings

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Otter Tail County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Cash and Cash Equivalents

Cash and cash equivalents are identified only for the purpose of the statement of cash flows for the proprietary fund. The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at fair value at December 31, 2019, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental, enterprise, and fiduciary funds are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2019 were \$783,123.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)

3. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Any residual balances outstanding between the primary government and the component units are reported in the government-wide financial statements as “due to/from primary government” and “due to/due from component unit.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

No allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as prior taxes receivable. No provision has been made for an estimated uncollectible amount.

4. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments payable in the years 2013 through 2019, and noncurrent special assessments payable in 2020 and after. No provision has been made for an estimated uncollectible amount.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)

5. Advance to Component Unit

In 2011, 2013 and 2018, Otter Tail County agreed to issue \$10,475,000, \$19,380,000, \$1,065,000, respectively, in General Obligation Disposal System Revenue Bonds in order to finance the acquisition/expansion of the Perham Resource Recovery Facility, which is owned by the Prairie Lakes Municipal Solid Waste Authority component unit. The proceeds from the sale of these bonds were recognized by the County. The annual payments on the advance are essentially the principal payments due on the bonds each year.

In 2019 the County issued \$6,435,000 in Taxable General Obligation Disposal System Revenue Refunding Bonds, Series 2019B for the purpose of effecting an advance crossover refunding of the 2022 through 2030 maturities of the county's \$10,475,000 General Obligation Disposal System Revenue Bonds, Series 2011 and resulted in the County increasing the principal payments owed from the Authority by \$150,000, but will result in a lower total future cash outlay as the refunding bonds were issued with a lower interest rate than the refunded bonds. The bonds were sold in advance of the call date of the Series 2011 Bonds and proceeds were invested in an escrow account with direct obligations of the U.S. Government. The County will continue to pay debt service on the Series 2011 Bonds until the call date. Interest on the Bonds due November 14, 2019 through May 1, 2020, will be paid from the escrow account established with proceeds of the Bonds. The principal payments made in 2019 were \$1,235,000.

On December 31, 2015, Otter Tail County agreed to advance funds to cover a cash deficit in the Prairie Lakes Municipal Solid Waste Authority Fund. The amount of the advance was \$2,788,620. Repayment will be through future collection of tipping fees. The principal payments made in 2019 were \$92,153.

**OTTER TAIL COUNTY  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)

6. Inventories and Prepaid Items

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories in the proprietary fund and at the government-wide level are recorded as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

7. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business type activities column in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than the capitalization threshold and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value (entry price) on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

8. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

Property, plant, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5 - 20
Buildings	40
Building improvements	Up to 30
Public domain infrastructure	20 - 100
Furniture, equipment, and vehicles	3 - 20

The County landfill is depreciated based on capacity used.

9. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds for up to the annual accrual of vacation and vested sick leave if matured, for example, as a result of employee resignations and retirements. The government-wide statement of net position reports both the current and noncurrent portion of compensated absences. The current portion consists of an amount based on the vacation each employee accrues in one year.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)

10. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source. Premiums received on debt issuances are reported as an other financing source, while discounts on debt issuances are reported as an other financing use. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. For the governmental activities, the net pension liability is liquidated through the General Fund and other governmental funds that have personnel services. For the business-type activities, the net pension liability is liquidated by the Waste Management Enterprise Fund.

**OTTER TAIL COUNTY  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans, other postemployment benefits (OPEB), and amount on refunding, and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The County has two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable, grants and allotments, and other for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

13. Classification of Net Position

Net position in the government-wide and proprietary fund financial statements is classified in the following categories:

Net investment in capital assets – the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

13. Classification of Net Position (Continued)

Restricted – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – the amount of net position that does not meet the definition of restricted or net investment in capital assets.

14. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items not expected to be converted to cash.

Restricted – amounts in which constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can be used for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

14. Classification of Fund Balances (Continued)

Assigned – amounts the County intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board, the County Administrator, or the County Auditor-Treasurer, who have been delegated that authority by Board resolution.

Unassigned – the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

15. Minimum Fund Balance

Otter Tail County is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Otter Tail County has adopted a minimum fund balance policy to address cash flow or working capital needs. The County is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County will maintain an unrestricted fund balance level of no less than five months of the General Fund operating expenditures. At December 31, 2019, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)

16. Operating Revenues and Expenses

The Waste Management Enterprise Fund's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing services. Nonexchange revenues, including investment income and grants are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide services. Expenses not meeting this definition are reported as nonoperating expenses.

17. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The County Ditch Special Revenue Fund had a positive fund balance of \$200,199 as of December 31, 2019. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

23 ditches with positive fund balances	\$ 724,319
34 ditches with deficit fund balances	<u>(524,120)</u>
Net Fund Balance	<u>\$ 200,199</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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2. Stewardship, Compliance, and Accountability (Continued)

B. Excess of Expenditures Over Budget

The following nonmajor funds had expenditures in excess of budget for the year ended December 31, 2019.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Special Revenue Fund			
Ditch	\$ 230,530	\$ 150,000	\$ 80,530
Debt Service Funds			
Government Service Center	\$ 507,797	\$ 504,375	\$ 3,422
Sheriff Operations	423	-	423
Master Facility Construction	281,847	280,950	897
Detention Facility	154,223	153,325	898
Public Buildings	1,053,800	1,053,325	475

3. Detailed Notes

A. Assets

1. Deposits and Investments

Reconciliation of the County's total cash and investments to the basic financial statements follows:

Primary government		
Cash and pooled investments		\$ 67,020,998
Restricted assets		
Cash and pooled investments		1,448,905
Cash with escrow agent		8,700,599
Component units		
Cash and pooled investments		1,495,122
Fiduciary assets		
Agency funds		
Cash and pooled investments		<u>2,097,097</u>
Total Cash and Investments		<u>\$ 80,762,721</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2019, the County's deposits were not exposed to custodial credit risk.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

A. Assets

1. Deposits and Investments (Continued)

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The County does not have additional policies for the investment risks described below beyond complying with the requirements of Minnesota statutes.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. While the County does not have a policy on interest rate risk, the County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County does not have a policy on credit risk, but invests only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2019, none of the County's investments were exposed to custodial credit risk.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County does not have a policy on the concentration of credit risk, but typically, the County invests in U.S. Treasury securities, U.S. agency securities, and obligations backed by the U.S. Treasury and/or U.S. agency securities without limit.

The following table represents the County's deposit and investment balances at December 31, 2019, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
U.S. Treasury Note	N/A	N/A		01/15/2020	\$ 999,900
U.S. Treasury Note	N/A	N/A		02/29/2020	1,499,310
U.S. Treasury Note	N/A	N/A		03/15/2020	1,999,840
U.S. Treasury Note	N/A	N/A		04/30/2020	2,497,650
U.S. Treasury Note	N/A	N/A		05/31/2020	1,997,660
U.S. Treasury Note	N/A	N/A		06/30/2020	1,000,000
U.S. Treasury Note	N/A	N/A		07/15/2020	2,498,450
U.S. Treasury Note	N/A	N/A		08/31/2020	2,495,800
U.S. Treasury Note	N/A	N/A		09/15/2020	1,497,240
U.S. Treasury Note	N/A	N/A		10/31/2020	1,000,820
U.S. Treasury Note	N/A	N/A		11/30/2020	2,499,425
U.S. Treasury Note	N/A	N/A		12/15/2020	1,002,190
Total U.S. Treasury Notes			58.8%		\$ 20,988,285
Municipal Bond	N/A	N/A	<5.0%	07/01/2021	1,128,447
Commercial paper	N/A	N/A	<5.0%	01/06/2020	999,723
Treasury Securities – State and Local Government Series	N/A	N/A	24.5%		8,700,599

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Negotiable certificates of deposit	N/A	N/A	10.5%		3,746,042
Total investments					\$ 35,563,096
Deposits					45,176,735
Departmental cash					500
Change funds					22,390
Total Cash and Investments					\$ 80,762,721

N/A – Not Applicable

N/R – Not Rated

<5% – Concentration is less than 5% of investments

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2019, the County had the following recurring fair value measurements:

	December 31, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury securities	\$ 20,988,285	\$ -	\$ 20,988,285	\$ -
Municipal bond	1,128,447	-	1,128,447	-
Commercial paper	999,723	-	999,723	-
Treasury Securities – State and Local Government Series	8,700,599	-	8,700,599	-
Negotiable certificates of deposit	3,746,042	-	3,746,042	-
U.S. Investments Included in the Fair Value Hierarchy	\$ 35,563,096	\$ -	\$ 36,563,096	\$ -

Level 2 debt securities are valued using a matrix yield-based pricing technique based on the securities' relationship to benchmark quoted prices.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2019, for the County's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
<b>Governmental Activities</b>		
Taxes	\$ 800,989	\$ -
Special assessments	616,911	606,561
Accounts	125,584	-
Accrued interest	183,249	-
Internal balances	(2,078)	-
Due from other governments	11,061,767	-
Due from component unit	150,550	-
Lease	71,725	-
Advance to component unit	24,360,000	23,075,000
Total Governmental Activities	\$ 37,368,697	\$ 23,681,561
<b>Business-Type Activities</b>		
Accounts	\$ 328,168	\$ -
Internal Balances	2,078	-
Due from other governments	91,143	-
Advance to component unit	2,646,736	2,646,736
Total Business-Type Activities	\$ 3,068,125	\$ 2,646,736

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

A. Assets (Continued)

3. Leases Receivable

Otter Tail County has provided funding to the Viking Library System for the purpose of constructing a new headquarters office building for the Library. The Viking Library System pays lease amounts to the County that equal the annual debt service (principal plus interest) for the Public Purpose Lease Revenue Bonds, Series 2009A. In December 2016, the County issued General Obligation Capital Improvement Refunding Bonds, Series 2016A. A portion of these bonds were used to pay off the Series 2009A bonds. The new payments from the Viking Library reflect the portion of the annual debt service (principal plus interest) for the General Obligation Capital Improvement Refunding Bonds, Series 2016A that relate to the payoff of the Series 2009A bonds.

Otter Tail County has leased eight vehicles for use by the West Central Minnesota Drug and Violent Crime Task Force. The vehicles were then subleased to the Task Force. The Task Force is responsible for making the quarterly lease payments on behalf of the County.

Amounts due from the Viking Library System and the West Central Minnesota Drug and Violent Crime Task Force have been recorded as leases receivable in the General Fund at December 31, 2019. The amounts for 2020 are considered current and due within one year. Amounts remaining to be paid are as follows:

<u>Year Due</u>	<u>Viking Library System</u>	<u>Drug and Violent Crime Task Force</u>
2020	\$ 70,000	\$ 1,725
2021	70,000	-
2022	75,000	-
2023	80,000	-
2024	80,000	-
2025 - 2028	<u>345,000</u>	<u>-</u>
Total leases	<u>\$ 720,000</u>	<u>\$ 1,725</u>
Due Within One Year	<u>\$ 70,000</u>	<u>\$ 1,725</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 4,965,768	\$ 674,617	\$ -	\$ 5,640,385
Construction in progress	20,106,863	7,236,188	20,106,863	7,236,188
Total capital assets not depreciated	<u>\$ 25,072,631</u>	<u>\$ 7,910,805</u>	<u>\$ 20,106,863</u>	<u>\$ 12,876,573</u>
Capital assets depreciated				
Land improvements	\$ 930,687	\$ -	\$ -	\$ 930,687
Buildings	28,614,598	238,110	-	28,852,708
Building improvements	17,890,576	6,254	-	17,896,830
Machinery, furniture, vehicles, and equipment	19,360,286	2,559,006	1,749,639	20,169,653
Infrastructure	205,879,668	26,739,135	-	232,618,803
Total capital assets depreciated	<u>\$ 272,675,815</u>	<u>\$ 29,542,505</u>	<u>\$ 1,749,639</u>	<u>\$ 300,468,681</u>
Less: accumulated depreciation for				
Land improvements	\$ 857,910	\$ 9,345	\$ -	\$ 867,255
Buildings	13,011,468	691,182	-	13,702,650
Building improvements	3,822,386	808,866	-	4,631,252
Machinery, furniture, vehicles, and equipment	13,201,139	1,681,372	1,625,435	13,257,076
Infrastructure	84,852,563	6,448,741	-	91,301,304
Total accumulated depreciation	<u>\$ 115,745,466</u>	<u>\$ 9,639,506</u>	<u>\$ 1,625,435</u>	<u>\$ 123,759,537</u>
Total capital assets depreciated, net	<u>\$ 156,930,349</u>	<u>\$ 19,902,999</u>	<u>\$ 124,204</u>	<u>\$ 176,709,144</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 182,002,980</u>	<u>\$ 27,813,804</u>	<u>\$ 20,231,067</u>	<u>\$ 189,585,717</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

4. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 195,934	\$ -	\$ -	\$ 195,934
Capital assets depreciated				
Buildings	\$ 6,678,982	\$ -	\$ -	\$ 6,678,982
Landfill	3,566,924	18,814	-	3,585,738
Machinery, furniture, vehicles, and equipment	3,167,937	49,500	104,858	3,112,579
Infrastructure	141,010	-	-	141,010
Total capital assets depreciated	\$ 13,554,853	\$ 68,314	\$ 104,858	\$ 13,518,309
Less: accumulated depreciation for				
Buildings	\$ 3,786,480	\$ 130,607	\$ -	\$ 3,917,087
Landfill	2,515,665	321,185	-	2,836,850
Machinery, furniture, vehicles, and equipment	2,660,302	115,777	104,858	2,671,221
Infrastructure	22,717	4,700	-	27,417
Total accumulated depreciation	\$ 8,985,164	\$ 572,269	\$ 104,858	\$ 9,452,575
Total capital assets depreciated, net	\$ 4,569,689	\$ (503,955)	\$ -	\$ 4,065,734
Business-Type Activities Capital Assets, Net	\$ 4,765,623	\$ (503,955)	\$ -	\$ 4,261,668

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 1,266,570
Public safety	753,007
Highways and streets, including depreciation of infrastructure assets	7,507,677
Human services	63,682
Health services	5,147
Culture and recreation	14,637
Conservation of natural resources	21,606
Economic development	7,180
Total Depreciation Expense – Governmental Activities	\$ 9,639,506
Business-Type Activities	
Solid waste	\$ 572,269

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2019, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Special Revenue Fund	\$ 5,984
Road and Bridge Special Revenue Fund	County Ditch Special Revenue Fund	\$ 36,551
	General Fund	1,089
	Waste Management Enterprise Fund	241
Total due to Road and Bridge Fund		\$ 37,881
Capital Improvement Special Revenue Fund	General Fund	\$ 6,664
Waste Management Enterprise Fund	General Fund	\$ 2,319
Agency Funds		
State Revenue Fund	General Fund	\$ 40
Family Services Collaborative Fund	General Fund	715
Total due to Agency Funds		\$ 755
Total Due To/From Other Funds		\$ 53,603

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	County Ditch Special Revenue Fund	\$ 570,387
Human Services Special Revenue Fund	Chemical Dependency Debt Service Fund	\$ 1,898,725
Total Advances From/To Other Funds		<u>\$ 2,469,112</u>

The advance is to provide working capital to ditch systems with low reserves and operating costs in excess of revenues. This balance will be paid from future ditch special assessments.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2019, consisted of the following:

Transfer to Public Buildings Debt Service Fund from General Fund	\$ 87,575	To transfer funds for bond principal and interest payment.
Transfer to Public Buildings Debt Service Fund from Chemical Dependency Debt Service Fund	501,275	To transfer funds for bond interest payment.
Transfer to Public Buildings Debt Service Fund from Sheriff Operations Debt Service Fund	464,950	To transfer funds for bond interest payment.
Transfer to General Fund From Sheriff's Contingent Special Revenue Fund	1,524	To transfer excess funds.
Transfer to Detention Facility Debt Service Fund from Capital Improvements Fund	73,970	To transfer funds for bond interest payment.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

B. Interfund Receivables, Payables, and Transfers

3. Interfund Transfers (Continued)

Transfer to Highway Construction Debt Service Fund from Government Service Center Debt Service Fund	54,270	To transfer excess funds.
Transfer to Detention Facility Debt Service Fund from Government Service Center Debt Service Fund	37,765	To transfer excess funds.
Transfer to Master Facilities Fund from Government Service Center Debt Service Fund	163,860	To transfer excess funds.
Transfer to Sheriff Operations Debt Service Fund from Government Service Center Debt Service Fund	<u>114,921</u>	To transfer excess funds.
Total Transfers Between Funds	<u>\$ 1,500,110</u>	

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2019, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 1,139,887	\$ 158,049
Salaries	1,787,113	102,372
Contracts	1,229,384	-
Due to other governments	403,742	3,920
Accrued interest	594,405	-
Security deposits	15,000	-
Employee deposits	<u>292,144</u>	<u>-</u>
Total Payables	<u>\$ 5,461,675</u>	<u>\$ 264,341</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Construction Commitments

The remaining commitment for highway projects are state-funded and, therefore, are not obligations of the County at December 31, 2019.

3. Capital Leases

The County has entered into lease agreements as a lessee for financing eight vehicles for the West Central Minnesota Drug and Violent Crime Task Force. These capital leases consist of the following at December 31, 2019:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original Amount</u>	<u>Balance</u>
Governmental Activities 2015 Task Force vehicles	2020	Quarterly	\$ 1,757	\$ 29,785	\$ 1,725
Total Governmental Activities					<u>\$ 1,725</u>

The future minimum lease obligations as of December 31, 2019, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2020	<u>\$ 1,725</u>

As shown in Note 3.A.3., the West Central Minnesota Drug and Violent Crime Task Force pays lease amounts to the County that equal the annual debt service (principal plus interest). To offset this receivable, the County liability is shown as the total of the scheduled payments rather than the present value of their future lease payments.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Long-Term Debt

Bond payments are typically made from the various debt service funds. Information on individual bonds payable was as follows:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2019
General obligation bonds					
2012 Courthouse and Jail Improvement Bonds	2025	\$170,000 – \$1,215,000	2.00 - 2.65	\$ 4,780,000	\$ 4,610,000
2016 Capital Improvement Refunding Bonds	2028	\$65,000 – \$1,020,000	1.05 - 3.00	6,675,000	4,830,000
2017 Capital Improvement Bonds	2028	\$115,000 - \$150,000	3.00	1,335,000	1,220,000
2019 Capital Improvement Bonds	2037	\$585,000 - \$905,000	3.00 - 5.00	12,890,000	12,890,000
Total general obligation bonds				<u>\$ 25,680,000</u>	\$ 23,550,000
Add: unamortized premium					1,607,035
Less: unamortized discount					<u>(15,795)</u>
Total General Obligation Bonds, Net					<u>\$ 25,141,240</u>
Revenue bonds					
2011 Disposal System Revenue Bonds	2030	\$405,000 - \$1,475,000	3.00 - 5.00	\$ 10,475,000	\$ 7,160,000
2013 Disposal System Revenue Bonds	2034	\$630,000 - \$1,970,000	2.00 - 3.75	19,380,000	16,070,000
2018 Disposal System Revenue Bonds	2028	\$85,000 - \$125,000	3.00 - 4.00	1,065,000	980,000
2019 Disposal System Revenue Refunding Bonds	2030	\$650,000 - \$805,000	1.85 - 2.45	6,365,000	6,365,000
Total revenue bonds				<u>\$ 37,285,000</u>	\$ 30,575,000
Add: unamortized premium					339,466
Less: unamortized discount					<u>(62,659)</u>
Total Revenue Bonds, Net					<u>\$ 30,851,807</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Debt Service Requirements

Debt service requirements at December 31, 2019, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 1,485,000	\$ 923,951	\$ 1,285,000	\$ 1,025,781
2021	2,255,000	745,900	1,325,000	987,959
2022	2,335,000	670,355	2,020,000	936,597
2023	2,420,000	590,841	2,090,000	876,191
2024	2,545,000	508,035	2,150,000	812,446
2025 - 2029	6,080,000	1,629,324	11,770,000	2,927,359
2030 - 2034	3,920,000	680,350	9,935,000	1,011,421
2035 - 2037	2,510,000	114,300	-	-
Total	<u>\$ 23,550,000</u>	<u>\$ 5,863,056</u>	<u>\$ 30,575,000</u>	<u>\$ 8,577,754</u>

Year Ending December 31	Capital Leases	
	Principal	Interest
2020	<u>\$ 1,725</u>	<u>\$ 31</u>

6. Advance Refunding

In November of 2019, the County issued \$6,365,000 Taxable General Obligation Disposal System Revenue Refunding Bonds, Series 2019B to advance refund a portion of the \$10,475,000 General Obligation Disposal System Revenue Bonds, Series 2011, to achieve interest cost savings. The refunding results in future debt savings of \$687,285.12.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources (Continued)

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
General obligation bonds	\$ 12,340,000	\$ 12,890,000	\$ 1,680,000	\$ 23,550,000	\$ 1,485,000
Revenue bonds	25,445,000	6,365,000	1,235,000	30,575,000	1,285,000
Add: unamortized premium	711,760	1,347,978	113,236	1,946,502	-
Less: unamortized discount	(87,177)	-	(8,724)	(78,453)	-
Total bonds payable	\$ 38,409,583	\$ 20,602,978	\$ 3,019,512	\$ 55,993,049	\$ 2,770,000
Capital leases	28,649	-	26,924	1,725	1,725
Compensated absences	5,503,429	2,908,656	3,001,193	5,410,892	1,367,787
Governmental Activities Long-Term Liabilities	<u>\$ 43,941,661</u>	<u>\$ 23,511,634</u>	<u>\$ 6,047,629</u>	<u>\$ 61,405,666</u>	<u>\$ 4,139,512</u>

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Estimated liability for landfill closure/postclosure care costs	\$ 1,509,729	\$ -	\$ 363,291	\$ 1,146,438	\$ -
Compensated absences	378,374	171,812	138,802	411,384	92,013
Business-Type Activities Long-Term Liabilities	<u>\$ 1,888,103</u>	<u>\$ 171,812</u>	<u>\$ 502,093</u>	<u>\$ 1,557,822</u>	<u>\$ 92,013</u>

For the governmental activities, compensated absences are liquidated through the General Fund and other governmental funds that have personal services. For the business-type activities, compensated absences are liquidated by the Waste Management Enterprise Fund.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources (Continued)

8. Deferred Inflows of Resources-Unavailable Revenue

Unavailable revenues consists of taxes, special assessments, state and/or federal grants, and state highway users tax allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period. Unavailable revenue at December 31, 2019, is summarized below by fund:

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Grants and Allotments</u>	<u>Other</u>	<u>Total</u>
Major governmental funds					
General	\$ 315,975	\$ -	\$ -	\$ 185,335	\$ 501,310
Road and Bridge	54,270	638	8,040,468	39,212	8,134,588
Human Services	173,811	-	346,200	15,386	535,397
Capital Improvement	35,952	-	-	-	35,952
Nonmajor governmental funds					
County Ditch	-	614,364	-	-	614,364
Government Service Center	4,832	-	-	-	4,832
Sheriff Operations	7,769	-	-	-	7,769
Master Facility Construction	6,088	-	-	-	6,088
Detention Facility	1,221	-	-	-	1,221
Total	<u>\$ 599,918</u>	<u>\$ 615,002</u>	<u>\$ 8,386,668</u>	<u>\$ 239,933</u>	<u>\$ 9,841,521</u>

D. Other Postemployment Benefits (OPEB)

Plan Description

Otter Tail County administers an Other Postemployment Benefits plan, a single-employer defined benefit health care plan, to eligible retirees and their spouses.

The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

D. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB 75. The OPEB plan does not issue a stand-alone financial report.

As of the January 1, 2018, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	20
Active plan participants	<u>431</u>
Total	<u>451</u>

Total OPEB Liability

The County's total OPEB liability of \$2,951,956 was determined by an actuarial valuation as of January 1, 2018, and was rolled forward to a measurement date of January 1, 2019. The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services. For the business-type activities, the OPEB liability is liquidated by the Waste Management Enterprise Fund.

The total OPEB liability in the fiscal year-end December 31, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal Percent of Pay
Inflation	2.50 percent
Salary increases	3.00 percent
Health care cost trend	6.25 percent, grading to 5.00 percent over 5 years

The current year discount rate is 3.30 percent. For the current valuation, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates used are recent tables developed and recommended by the Society of Actuaries, (SOA) RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

D. Other Postemployment Benefits (OPEB)

Total OPEB Liability (Continued)

Retirement and withdrawal assumptions used are similar to those used to value pension liabilities for Minnesota public employees. The state pension plans base their assumptions on periodic experience studies.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2018	\$ 2,840,219
Changes for the year	
Service cost	\$ 195,084
Interest	97,210
Benefit payments	(180,557)
Net change	\$ 111,737
Balance at December 31, 2019	\$ 2,951,956

OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	2.30%	\$ 3,153,456
Current	3.30	2,951,956
1% Increase	4.30	2,762,925

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

D. Other Postemployment Benefits (OPEB)

OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.0 percentage point lower or 1.0 percentage point higher than the current health care cost trend rate:

	<u>Health Care Trend Rate</u>		<u>Total OPEB Liability</u>
1% Decrease	5.25% Decreasing to 4.0%	\$	2,661,239
Current	6.25% Decreasing to 5.0%		2,951,956
1% Increase	7.25% Decreasing to 6.0%		3,292,454

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to OPEB

For the year ended December 31, 2019, the County recognized OPEB expense of \$78,339. At December 31, 2019, the County reported no deferred inflows of resources, and \$213,955 in deferred outflows of resources resulting from County contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020.

Changes in Actuarial Assumptions

There were no changes in actuarial assumptions in 2019.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes (Continued)

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

All full-time and certain part-time employees of Otter Tail County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan), the Public Employees Police and Fire Plan (the Police and Fire Plan), and the Public Employees Local Government Correctional Service Retirement Plan (the Correctional Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Otter Tail County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing five percent for each year of service until fully vested after 20 years.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years.

b. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

Beginning January 1, 2019, General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

Beginning January 1, 2019, Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Beginning January 1, 2019, Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits, but are not yet receiving them, are bound by the provisions in effect at the time they last terminated their public service.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Police and Fire Plan and Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2019. Police and Fire Plan members were required to contribute 11.30 percent of their annual covered salary in 2019. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2019.

In 2019, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.95
Correctional Plan	8.75

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2018.

The County's contributions for the year ended December 31, 2019, to the pension plans were:

General Employees Plan	\$	1,774,685
Police and Fire Plan		516,059
Correctional Plan		174,265

The contributions are equal to the statutorily required contributions as set by state statute.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

d. Pension Costs

General Employees Plan

At December 31, 2019, the County reported a liability of \$18,051,454 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.3265 percent. It was 0.3299 percent measured as of June 30, 2018. The County recognized pension expense of \$2,302,562 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$42,012 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually.

The County's proportionate share of the net pension liability	\$ 18,051,454
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>560,976</u>
Total	<u>\$ 18,612,430</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The County reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 504,836	\$ -
Changes in actuarial assumptions	-	1,436,753
Difference between projected and actual investment earnings	-	1,878,904
Changes in proportion	150,211	234,029
Contributions paid to PERA subsequent to the measurement date	894,865	-
Total	\$ 1,549,912	\$ 3,549,686

The \$894,865 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	\$ (941,625)
2021	(1,569,641)
2022	(412,466)
2023	29,093

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2019, the County reported a liability of \$3,074,568 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.2888 percent. It was 0.2762 percent measured as of June 30, 2018. The County recognized pension expense of \$467,266 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized \$38,988 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. In addition, the state will pay direct state aid of \$4.5 million on October 1, 2018, and October 1, 2019, and \$9 million by October 1 of each subsequent year until full funding is reached or July 1, 2048, whichever is earlier.

The County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 124,840	\$ 442,303
Changes in actuarial assumptions	2,429,487	3,208,978
Difference between projected and actual investment earnings	-	594,476
Changes in proportion	241,411	140,462
Contributions paid to PERA subsequent to the measurement date	264,866	-
Total	\$ 3,060,604	\$ 4,386,219

The \$264,866 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	\$ (130,405)
2021	(372,955)
2022	(1,145,567)
2023	38,667
2024	19,779

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Correctional Plan

At December 31, 2019, the County reported a liability of \$125,990 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.910 percent. It was 0.914 percent measured as of June 30, 2018. The County recognized pension expense of \$240,296 for its proportionate share of the Correctional Plan's pension expense.

The County reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$ 4,653	\$ 20,594
Changes in actuarial assumptions	-	1,122,753
Difference between projected and actual investment earnings	-	163,310
Changes in proportion	14,832	493
Contributions paid to PERA subsequent to the measurement date	<u>89,052</u>	<u>-</u>
Total	<u>\$ 108,537</u>	<u>\$ 1,307,150</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

The \$89,052 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	\$ (664,007)
2021	(585,259)
2022	(39,623)
2023	1,224

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was \$3,010,124.

e. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study. Inflation and investment assumptions for all plans were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35.50%	5.10%
International equity	17.50	5.30
Fixed income	20.00	0.75
Private markets	25.00	5.90
Cash equivalents	2.00	0.00

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2019, which remained consistent with 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2019:

General Employees Plan

- The mortality projection scale was changed from MP-2017 to MP-2018.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions (Continued)

Police and Fire Plan

- The mortality projection scale was changed from MP-2017 to MP-2018.

Correctional Plan

- The mortality projection scale was changed from MP-2017 to MP-2018.

h. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	General Employees Plan		Proportionate Share of the Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 29,675,618	6.50%	\$ 6,720,434	6.50%	\$ 1,342,787
Current	7.50	18,051,454	7.50	3,074,568	7.50	125,990
1% Increase	8.50	8,453,395	8.50	59,496	8.50	(847,647)

i. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes

E. Pension Plans (Continued)

2. Defined Contribution Plan

Four elected officials of Otter Tail County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the state legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Otter Tail County during the year ended December 31, 2019, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 12,788	\$ 12,788
Percentage of covered payroll	5.00%	5.00%

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,146,438 landfill closure and postclosure care liability at December 31, 2019, represents the cumulative amount reported to date based on the use of 86 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$105,941 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2019. The County expects to close the landfill in 2034 or later. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. At December 31, 2019, investments of \$1,448,905 are held for these purposes. These are reported as restricted assets on the statement of net position. Otter Tail County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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5. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2019 and 2020. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

6. Conduit Debt

In 2005, Productive Alternatives, Inc., issued a \$775,000 Health Care Facilities Revenue Note, Series 2005, to refinance the financing on the Willows Day Program building in order to build a new facility to operate its detox operations for the benefit of Otter Tail County as well as other counties. The project is deemed to be in the public interest. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. The outstanding principal related to the \$775,000 Health Care Facilities Revenue Note, Series 2005 was paid in full by the City of Fergus Falls, Minnesota – \$1,840,000 Community Services Revenue Note (Productive Alternatives, Inc. Project).

7. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County, in connection with the normal conduct of its affairs, is involved in various judgments, claims, and litigation. The County Attorney identified no potential claims against the County that would materially affect the financial statements.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items (Continued)

B. Joint Ventures

Northwest Regional Development Commission

The Northwest Regional Development Commission provides services to Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Rosseau Counties in Northwest and West Central Minnesota. Through the Dancing Sky Area Agency on Aging program, the Northwest Regional Development Commission serves 21 counties in Regions I, II, and IV. This combined area on aging was established to administer all aspects of the Older Americans Act by providing programs to meet the needs to the elderly in the 21-county area.

Control is vested in the Northwest Regional Development Commission Board. The Board consists of one Commissioner from each of the seven counties. Each member of the Board is appointed by the County Commissioners of the county he or she represents. The Northwest Regional Development Commission Board meets quarterly to discuss and approve major items such as the area plan and dollar allocations, while the advisory councils and joint powers boards continue to meet monthly to make decisions affecting their local counties.

Financing is provided by appropriations from member parties and by state and federal grants. During 2019, Otter Tail County provided \$12,558 to the Northwest Regional Development Commission. Complete financial information can be obtained from the Northwest Regional Development Commission, 109 South Minnesota Street, Warren, Minnesota 56762.

West Central Minnesota Drug Task Force

The West Central Minnesota Drug and Violent Crime Task Force was established in 1996 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Douglas, Grant, Otter Tail, Pope, and Wadena Counties, and the Cities of Alexandria, Detroit Lakes, Fergus Falls, Glenwood, Pelican Rapids, Starbuck, and Wadena. The Task Force's objectives are to detect, investigate, and apprehend controlled substance offenders in the six-county area.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Minnesota Drug Task Force (Continued)

Control of the Task Force is vested in a Board of Directors. The Board of Directors consists of department heads or a designee from each participating full-time member agency. In the event of dissolution of the Task Force, the equipment will be divided and returned to the appropriate agencies. If only one agency terminates its agreement and the unit continues, all equipment will remain with the Task Force.

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as an agency fund. Financing and equipment will be provided by the full-time and associate member agencies. Otter Tail County contributed \$5,000 to the Task Force in 2019.

Separate financial information can be obtained from: Douglas County Courthouse, 305 8th Avenue West, Alexandria, Minnesota 56308.

Pomme de Terre River Association

The Pomme de Terre River Association Joint Powers Board was established August 11, 1981, by an agreement between Otter Tail County and five other counties and their respective soil and water conservation districts. The agreement was made to develop and implement plans to protect property from damage of flooding; control erosion of land; protect streams and lakes from sedimentation and pollution; and maintain or improve the quality of water in the streams, lakes, and ground water lying within the boundaries of the watershed of the Pomme de Terre River. Administrative costs are apportioned equally to the soil and water conservation districts based on actual costs. An amended and restated joint powers agreement was approved on March 19, 2013.

Control is vested in a Joint Powers Board, comprised of one representative of each County Board of Commissioners and one representative from each soil and water conservation district Board of Supervisors included within the agreement. During 2019, Otter Tail County did not contribute any funds to the Joint Powers Board.

Complete financial information can be obtained from: Pomme de Terre River Association Joint Powers Board, 12 Highway 28 East, Suite 2, Morris, Minnesota 56267.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Central Minnesota Emergency Services Board

The Central Minnesota Regional Radio Board was established in 2007, under the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39. As of June 1, 2011, the Central Minnesota Regional Radio Board changed its name to the Central Minnesota Emergency Services Board. Members include the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

The purpose of the Central Minnesota Emergency Services Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

The Central Minnesota Emergency Services Board is composed of one Commissioner of each county appointed by its respective County Board and one City Council member from each city appointed by its respective City Council, as provided in the Central Minnesota Emergency Services Board's by-laws.

In the event of dissolution of the Central Minnesota Emergency Services Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2019, Otter Tail County contributed \$12,779 to the City of St. Cloud for the Central Minnesota Emergency Services Board.

Complete financial information can be obtained from: Central Minnesota Emergency Services Board, City of St. Cloud, Office of the Mayor, City Hall, 400 Second Street South, St. Cloud, Minnesota 56301.

**OTTER TAIL COUNTY  
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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Otter Tail County Family Services Collaborative

The Otter Tail County Family Services Collaborative was established in 1999 under the authority of Minn. Stat. §§ 124D.23 and 245.491. The Collaborative includes the Otter Tail County Human Services Board, Court Services, Public Health, and Social Services, nine school districts within the County, and ten private agencies. The purpose of the Collaborative is to establish an integrated fund to support interventions, services, and programs for children and families in the County.

Control of the Otter Tail County Family Services Collaborative is vested in a Collaborative Leadership Council comprised of one representative from each participating agency and a Board of Directors comprised of representatives from the elected board of the governmental entities and from the boards of the private agencies.

Any party may withdraw from the agreement by the passage of a resolution by its governing board declaring its intent to withdraw. A party exercising its option to withdraw shall remain liable for financial obligations incurred prior to its withdrawal and shall not be entitled to a refund of contributions to the integrated fund. Upon termination of the agreement, any surplus funds will be distributed by resolution of the governing board in accordance with law in a manner to best accomplish the continuing purposes of the Collaborative.

Financing is provided by state and federal grants and cash and in-kind contributions from its member parties. Otter Tail County, in an agent capacity, reports the cash transactions of the Collaborative as an agency fund on its financial statements. During 2019, the County contributed \$2,900 in funds to the Collaborative.

Complete financial information can be obtained from: Otter Tail County, 510 Fir Avenue West, Fergus Falls, Minnesota 56537.

Partnership4Health Community Health Board

Partnership4Health Community Health Board was originally established July 1, 2014, by a joint powers agreement among Becker, Clay, Otter Tail, and Wilkin Counties, pursuant to Minn. Stat. ch. 145A, and pursuant to Minn. Stat. § 471.59, for the purpose of transitioning grant contracts. The Community Health Board became operational as of

**OTTER TAIL COUNTY  
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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Partnership4Health Community Health Board (Continued)

January 1, 2015. The joint powers agreement remains in force until any single county provides a resolution of withdrawal, duly passed by its governing board, to the County Boards and the auditor of the other counties participating in the agreement, and the Commissioner of Health for the State of Minnesota, at least one year before the beginning of the calendar year in which it takes effect.

Partnership4Health Community Health Board's purpose is to engage in activities designed to protect and promote the health of the general population within a community health service area by emphasizing the prevention of disease, injury, disability, and preventable death through the promotion of effective coordination and use of community resources, and by extending health services into the community.

Control is vested in Partnership4Health's Board, which consists of five members comprised of four County Commissioners and one community member. Terms for County Commissioners on the Community Health Board shall be for one year with no term limits. Terms for the at-large community member shall be a three-year term rotated among the four counties.

The financial activities of Partnership4Health are accounted for in an agency fund by Clay County. The individuals who administer the activities of Partnership4Health are considered to be employees of Clay County Public Health. During 2019, Otter Tail County did not contribute to Partnership4Health Community Health Board.

Viking Library System

Otter Tail County, along with 10 cities and 5 other counties, participates in the Viking Library System in order to establish, continue, strengthen, and improve library services in the participating cities and counties. The Viking Library System was created as a public library service in 1975, by Douglas, Grant, Otter Tail, and Stevens Counties along with the cities of Alexandria, Elbow Lake, Fergus Falls, Hancock, and Morris. Additions to the library system included Wheaton, Browns Valley, Glenwood, New York Mills, and Perham in 1976, Pope County in 1981, Traverse County in 1983, and Pelican Rapids in 1988. In 1992, the Alexandria Library became the Douglas County library.

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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Viking Library System (Continued)

The Viking Library System is governed by a governing board which consists of 19 members. Each County board appoints a resident of the County, each member library board appoints a representative, and any libraries with a service area population over 15,000 have an additional representative. Currently, Fergus Falls and Douglas County have additional representatives. During 2019, Otter Tail County provided \$615,464 to the Viking Library System.

Complete financial information can be obtained from the Viking Library System, 1915 Fir Avenue West, Fergus Falls, Minnesota 56537.

C. Jointly-Governed Organizations

Otter Tail County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organizations listed below:

District IV Transportation Planning

Otter Tail County and 13 other cities and counties entered into a joint powers agreement to establish the District IV Transportation Planning Joint Powers Board, effective December 11, 1996, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to develop a multi-modal transportation plan for the geographical jurisdiction of the member cities and counties. The Board is composed of 14 members, with one member appointed by each member city and county.

Buffalo-Red River Watershed District

The Buffalo-Red River Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective June 17, 1963, and includes land within Becker, Clay, Otter Tail and Wilkin Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, and other conservation projects by using sound scientific principles for the protection of the public health and welfare and the provident use of natural resources.

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7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Buffalo-Red River Watershed District (Continued)

Control of the District is vested in the Buffalo-Red River Watershed District Board of Managers, which is composed of seven members having staggered terms of three years each, with one appointed by the Becker County Board, three appointed by the Clay County Board, one appointed by the Otter Tail County Board and two appointed by the Wilkin County Board. Tax settlements of \$65,388 were distributed to the Buffalo River Watershed in 2019.

Region Four – West Central Minnesota Homeland Security Emergency Management Organization

The Region Four – West Central Minnesota Homeland Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Otter Tail County's responsibility does not extend beyond making this appointment.

Minnesota Counties Computer Cooperative (MCCC)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties created MCCC to facilitate services and training, provide software and related cost-effective measures to substantially reduce technology costs for the counties. During the year, Otter Tail County expended \$200,364 to MCCC for services received. The County has no operational or financial control over MCCC.

Sentencing to Service

Otter Tail County, in conjunction with other local governments, participates in the State of Minnesota's Sentencing to Service (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from

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7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Sentencing to Service (Continued)

various foundations and initiatives, as well as the Department of Corrections and Natural Resources provide the funds needed to operate the STS program. The County receives payment for reimbursement and services performed under this agreement.

MAHUBE-OTWA Community Action Partnership, Inc.

MAHUBE Community Council, Inc. was incorporated as a private, non-profit organization in July, 1965 (serving Mahnomen, Hubbard and Becker Counties). In April 2012, MAHUBE Community Council became MAHUBE-OTWA Community Action Partnership, Inc., serving the five-county area of Mahnomen, Hubbard, Becker, Otter Tail and Wadena Counties. The 18 member Board composition includes members from three sectors: low income, private organizations and elected public offices from the five-county area. Board Directors terms of office are three years. MAHUBE-OTWA provides services for low income and elderly persons living in the five-county area. In order to reduce poverty in its community, this Community Action Agency works to better focus available local, state, private and federal resources to assist low income individuals and families to acquire useful skills and knowledge, gain access to new opportunities and achieve economic self-sufficiency. During 2019, Otter Tail County made payments of \$154,430 to MAHUBE-OTWA.

Minnesota Inter-County Association

The Minnesota Inter-County Association (MICA) is a voluntary organization of 14 Minnesota Counties – Benton, Blue Earth, Carver, Crow Wing, Dakota, Olmsted, Otter Tail, Rice, Scott, Sherburne, St. Louis, Stearns, Washington and Winona. The 14 members are growing counties that comprise a major portion of Minnesota's population and economy. MICA works on behalf of its members to influence regional and state programs to solve problems common to its members, produce and share high quality information on issues of concern to its members and their residents, increase public understanding of county government and facilitate cooperation among counties in areas of mutual interest. The MICA Board of Directors is the policy-setting body. Member counties are represented on the Board by two Commissioners chosen by their respective county boards. During 2019, Otter Tail County expended \$50 to MICA.

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7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Lakeland Mental Health Center

Lakeland Mental Health Center was formed pursuant to Minn. Stat. ch. 317A as a 501(c)(3) non-profit corporation on February 10, 1961, and includes Becker, Clay, Douglas, Grant, Otter Tail and Pope Counties. The purpose of Lakeland Mental Health Center is to promote healthy individuals, families and communities by providing high quality accessible mental health services. The management of Lakeland Mental Health Center is vested in a Board of Directors consisting of one Commissioner and one community-at-large representative from each member county, plus one human service director, or equivalent position, rotated between the member counties. Services are provided to the member counties through purchase of service agreements. A member county may lose its membership by action of the Board of Directors if it fails to have a signed contract with Lakeland Mental Health Center. Otter Tail County paid \$1,352,651 in 2019 for services purchased through Lakeland Mental Health Center.

West Central Regional Juvenile Center

The West Central Regional Juvenile Center functions as a coed 32 bed secure facility, as well as a coed 15 bed non-secure care program. The center is located in Moorhead, Minnesota and provides services for juveniles with behavioral, protection, dependency, and delinquency issues. Counties who have signed a cooperative service agreement with the West Central Regional Juvenile Center include: Becker, Cass, Clay, Douglas, Grant, Otter Tail, Stevens, Todd, Traverse, Wadena and Wilkin. Otter Tail County paid \$620,119 in 2019 for services provided by West Central Regional Juvenile Center.

Lakes Country Service Cooperative

Lakes Country Service Cooperative (LCSC) was established in May 1976. LCSC is a public, nonprofit agency dedicated to providing quality, innovative services that help make their members successful. Services include Finance and Human Resources, Leadership and Employee Professional Development, Communications, Technology, Cooperative Purchasing, Health and Safety, Community Wellness, Insurance Wellness, and Education. LCSC serves school districts, cities, counties and other governmental agencies in the nine-county area that includes Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse and Wilkin counties. Otter Tail County paid \$153,211 in 2019 for services provided by Lakes Country Service Cooperative.

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7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Otter Tail Lakes Country Association

Otter Tail Lakes Country Association is a regional 501(c)(6) non-profit marketing and economic development organization that was formed in 1976. Membership is comprised of businesses, organizations and communities. The Board of Directors consists of up to twelve directors serving three-year terms: four representing communities, four representing hospital/tourism related industries and four from other businesses or industries who have a shared interest in the economic growth and development of Otter Tail County. Otter Tail County Board of Commissioners shall appoint no more than two individuals to serve as Ex-Officio members. Ex-Officio members shall count toward quorum, possess full Director privileges and do not have term limits. Otter Tail County provided \$105,500 to this organization in 2019.

8. Tax Abatements

Otter Tail County enters into property tax abatement agreements with local businesses under Minnesota Statutes, §§ 469.1812 through 469.1815, which meets the criteria for disclosure under Governmental Accounting Standards Board Statement (GASB) No. 77, Tax Abatement Disclosures. Under this statute, the County may grant property tax abatements not to exceed (1) 10% of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies, or (2) \$200,000, whichever is greater. The abatements may be granted to any business located within or promises to relocate to the County. For fiscal year 2019, the County had the following abatements:

Battle Lake Hotel Partners, LLC

The County entered into a property tax abatement with Battle Lake Hotel Partners, LLC, in March 2015, for a period of ten years effective in years 2016 through 2026, to abate \$56,390 of property taxes for the purposes of economic development. For 2019, the total tax abated was \$1,729, with the first half rebated on June 28, 2019, and the second half rebated on December 20, 2019.

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8. Tax Abatements

Battle Lake Hotel Partners, LLC (Continued)

Battle Lake Hotel Partners LLC agreed to create one full-time job paying not less than the higher of state or federal minimum wage, maintain the business for at least ten years from the date of the agreement, keep real estate taxes and all city fees current for the duration of the agreement, complete stated improvements no later than March 31, 2016, and utilize all structures located on the parcels included in the abatement for seasonal recreational use and not for long-term rentals.

Thumper Pond Resort, LLC

The County entered into a property tax abatement with Thumper Pond Resort, LLC, in August 2016, for a period of ten years effective in years 2017 through 2027, to abate \$149,900 of property taxes for the purposes of economic development. For 2019, the total tax abated was \$802, with the first half rebated on August 9, 2019, and the second half rebate being due January 1, 2020.

Thumper Pond Resort LLC agreed to keep real estate taxes current for the duration of the agreement, provide the County with documentation of the demonstrated loss of business and physical damage, notify the County if an insurance settlement is reached, and not transfer the project or any part thereof or any interest therein.

Perham Grow, LLC

The County entered into a property tax abatement with Perham Grow, LLC, in October 2014, for a period of nine years effective in years 2015 through 2024, to abate \$30,939 of property taxes for the purposes of housing to support economic development. For 2019, the total tax abated was \$3,325, with the first half rebated on August 9, 2019, and the second half rebate being due January 1, 2020.

Perham Grow LLC agreed to operate, maintain, preserve, and keep the project in good repair and condition during the life of the agreement; that the project and any further additions, modifications, or replacements shall at times be connected to and utilize City-owned utilities; to comply with income requirements such as at least 40 percent of the residential units in the project must be occupied or available for occupancy by persons whose incomes at the time of initial occupancy do not exceed 80 percent of the greater of State or area median income and this requirement must be for the duration of the agreement; the developer must deliver or

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8. Tax Abatements

Perham Grow, LLC (Continued)

cause to be delivered to the City a Compliance Certificate executed by the developer covering the preceding 12 months together with written evidence satisfactory to the City of Compliance with income requirements; and the project will be completed by June 30, 2015.

The County entered into a property tax abatement with Perham Grow, LLC, in May 2016, for a period of 15 years effective in years 2017 through 2031, to abate \$93,552 of property taxes for the purposes of housing to support economic development. For 2019, the total tax abated was \$5,672, with the first half rebated on August 9, 2019, and the second half rebated being due January 1, 2020.

Perham Grow LLC agreed to operate, maintain, preserve, and keep the project in good repair and condition during the life of the agreement; the project and any further additions, modifications, or replacements shall at times be connected to and utilize City-owned utilities; the project will be completed by December 31, 2016, prior to the termination date of this agreement the developer shall not transfer the project or any part thereof or any interest therein without the prior written approval of the City, County, and School; and the developer will pay all real property taxes during the life of the agreement.

The County has not entered into any Tax Increment Financing agreements, which meet the criteria for disclosure under GASB Statement No. 77, Tax Abatement Disclosures. The Cities of Battle Lake, Fergus Falls, Henning, New York Mills, Ottertail, Pelican Rapids, Perham, and Wadena have entered into tax increment financing agreements, which meet the criteria for disclosure under GASB No. 77, Tax Abatement Disclosures. The City's authority to enter into these agreements come from Minnesota Statute 469 for the purpose of encouraging private development, redevelopment, renovation and renewal, growth in low-to-moderate income housing, and economic development within a City. During 2019, there were 34-pay-as-you-go tax increment financing districts within these various Cities. The tax increment collection during 2019 associated with these tax increment districts totaled 1,157,066. The captured net tax capacity of these 34 districts is \$1,010,879, which represents 1.0268 percent of the County's total net tax capacity or approximately \$367,332 in County property taxes.

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9. Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Economic activity decreased in 2020, including gasoline sales taxes collected by the State of Minnesota used for funding County State Aid Highways (CSAH) revenue recorded in the County's Road and Bridge Special Revenue Fund. As a result, a decrease of approximately 15 percent of CSAH revenue is expected to be received for calendar year 2021. In addition, it is expected that the County will experience an increase of grant revenues as a result of this pandemic.

In May 2020, the County Board approved the issuance of a General Obligation Note financed through the Minnesota Pollution Control Agency for the SSTS loan program. The aggregate principal amount of the note shall not exceed \$2,000,000 with semi-annual payments commencing in December 2023.

10. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, County's discretely presented component units have the following significant accounting policies.

1. Reporting Entities

Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes)

Prairie Lakes is governed by a six-member Board of Directors—one member appointed from Becker, Clay, Todd, and Wadena Counties, and two from Otter Tail County. Receipts and disbursements are recorded in the Prairie Lakes Municipal Solid Waste Authority Fund by Otter Tail County.

Prairie Lakes is a component unit of Otter Tail County because Otter Tail County is financially accountable for Prairie Lakes. Prairie Lakes issues separate financial statements.

**OTTER TAIL COUNTY  
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10. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

1. Reporting Entities (Continued)

Otter Tail County Community Development Agency (CDA)

On December 11, 2018, Otter Tail County, acting through its Board of Commissioners adopted an enabling resolution establishing the CDA pursuant to Minn. Stat. §§ 469.09 through 469.108 for the purpose of providing community development services in connection with market rate housing programming activities to the Otter Tail County, Minnesota area. The CDA is governed by a nine-member Board of Directors: two are County Commissioners and seven are appointed by the Commissioners.

The Community Development Agency is a component unit of Otter Tail County because the County appoints board members, employs the persons responsible for the day-to-day operations (management), and is financially accountable for the CDA. 2019 was the first year of operations. The CDA's financial statements are included as supplementary information in this report. The CDA has no employees.

2. Basic Financial Statements

Prairie Lakes

The accounts of Prairie Lakes are organized as an enterprise fund. Operating revenues, such as charges for services, result from exchange transactions associated with providing services. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as interest income, grants, and member county appropriations result from nonexchange transactions or incidental activities. Operating expenses are all expenses incurred to provide services. Expenses not meeting this definition are reported as nonoperating expenses. Prairie Lakes' net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

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10. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

2. Basic Financial Statements (Continued)

CDA

The accounts of the CDA are organized in a governmental fund, reported as its general fund. The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance both include a reconciliation to convert the governmental fund to governmental activities. At the governmental activities level, net position is reported as restricted for economic development.

3. Measurement Focus and Basis of Accounting

Prairie Lakes

Prairie Lakes' financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

When both restricted and unrestricted resources are available for use, it is Prairie Lakes' policy to use restricted resources first and then unrestricted resources as needed.

CDA

The CDA's governmental activities are reported using the economic resources measurement focus and the full accrual basis of accounting. The general fund is reported using the current financial measurement focus and the modified accrual basis of accounting.

When both restricted and unrestricted resources are available for use, it is the CDA's policy to use restricted resources first and then unrestricted resources as needed.

**OTTER TAIL COUNTY  
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10. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

4. Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents, Deposits and Investments

Prairie Lakes

For the purposes of the statement of cash flows, cash and cash equivalents include cash and pooled investments. Prairie Lakes' cash is pooled and invested with Otter Tail County and is treated as a cash equivalent, because Prairie Lakes can deposit or effectively withdraw cash at any time without prior notice or penalty. Interest is credited to the Prairie Lakes Municipal Solid Waste Authority Fund. Otter Tail County obtains collateral to cover the deposits in excess of insurance coverage. The cash and pooled investments of Prairie Lakes are not subject to custodial credit risk.

CDA

All cash and investments of the Otter Tail County CDA are on deposit with the County and are considered to be cash on hand. CDA cash is pooled and invested with Otter Tail County and is treated as cash on hand, because the CDA can deposit or effectively withdraw cash at any time without prior notice or penalty. The County obtains collateral to cover the deposits in excess of insurance coverage. The cash and pooled investments of the CDA are not subject to custodial credit risk.

Property Taxes

CDA

The Community Development Agency Board annually adopts a levy and certifies it to the County for collection. The County is responsible for collecting all property taxes for the CDA. Real property taxes are paid by taxpayers of the county in two equal installments on May 15 and October 15. The County provides tax settlements to the CDA throughout the year.

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10. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, and Net Position or Equity (Continued)

Capital Assets

Prairie Lakes

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Prairie Lakes does not have a formal policy in place to define capital assets. Instead, it currently uses the capital asset listing developed by the City of Perham at the time of the sale of the facility from the City of Perham to the Counties.

Property, plant, and equipment of Prairie Lakes are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 40
Machinery, furniture, equipment, and vehicles	3 - 20

Long-Term Obligations

Prairie Lakes

Long-term liabilities consist of advances from Otter Tail County and a bank loan payable.

Equity Classifications

Prairie Lakes

Equity is classified as net position. Net investment in capital assets represents capital assets, net of accumulated depreciation, reduced by debt attributed to the acquisition, construction, or improvement of the assets.

Unrestricted net position is net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**OTTER TAIL COUNTY  
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10. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, and Net Position or Equity

Equity Classifications (Continued)

CDA

The CDA's fund balance is reported as restricted for economic development.

B. Detailed Notes

1. Assets

Deposits and Investments

Prairie Lakes

Prairie Lakes pools its deposits and investments with Otter Tail County, which acts in a fiscal agent capacity and carries collateral to cover deposits in excess of FDIC coverage. Prairie Lakes follows the County's investment policy for credit risk. At December 31, 2019, Prairie Lakes' investments were not subject to custodial credit risk.

CDA

The CDA pools its deposits and investments with Otter Tail County, which acts in a fiscal agent capacity and carries collateral to cover deposits in excess of FDIC coverage. The CDA follows the County's investment policy for credit risk. At December 31, 2019, the CDA's investments were not subject to custodial credit risk.

**OTTER TAIL COUNTY  
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10. Discretely Presented Component Unit Disclosures

B. Detailed Notes

1. Assets (Continued)

Capital Assets

Prairie Lakes

Capital asset activity for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 25,489	\$ -	\$ -	\$ 25,489
Capital assets depreciated				
Buildings	\$ 34,477,221	\$ -	\$ -	\$ 34,477,221
Machinery, furniture, and equipment	2,757,252	672,603	(28,488)	3,401,367
Total capital assets depreciated	\$ 37,234,473	\$ 672,603	\$ (28,488)	\$ 37,878,588
Less: accumulated depreciation for				
Buildings	\$ 5,436,404	\$ 1,427,412	\$ -	\$ 6,863,816
Machinery, furniture, and equipment	1,043,600	290,115	(28,488)	1,305,227
Total accumulated depreciation	\$ 6,480,004	\$ 1,717,527	\$ (28,488)	\$ 8,169,043
Total capital assets depreciated, net	\$ 30,754,469	\$ (1,044,924)	\$ -	\$ 29,709,545
Capital Assets, Net	<u>\$ 30,779,958</u>	<u>\$ (1,044,924)</u>	<u>\$ -</u>	<u>\$ 29,735,034</u>

Depreciation expense for the year was \$1,717,527.

2. Liabilities

Loans Payable

Prairie Lakes

In 2019, Prairie Lakes entered into a loan agreement with United Community Bank for the financing of a 2019 front-end wheel loader. The total amount received by Prairie Lakes Municipal Solid Waste Authority, was \$195,318. Repayment began in 2019.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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10. Discretely Presented Component Unit Disclosures

B. Detailed Notes

2. Liabilities

Loans Payable (Continued)

The future minimum obligations as of December 31, 2019, were as follows:

Year Ending December 31	Future Minimum Obligations
2020	\$ 51,979
2021	51,979
2022	51,979
2023	12,995
Total future minimum loan payments	\$ 168,932
Less: amount representing interest	(8,417)
Loan Payable Balance	\$ 160,515

Advance from Primary Government

Prairie Lakes

Prairie Lakes has entered into an advance arrangement with Otter Tail County. The County issued \$10,475,000 in General Obligation Disposal System Revenue Bonds, \$19,380,000 in General Obligation Waste Disposal Revenue Bonds, and \$1,065,000 in General Obligation Waste Disposal Revenue Bonds in order to finance the acquisition/expansion and improvements of the facility. The proceeds from the sale of these bonds were recognized by Otter Tail County. Prairie Lakes' repayment of the advance for these bond issues to the County is essentially equal to the principal and interest on the bonds for the year. During 2019, Otter Tail County issued \$6,365,000 in Taxable General Obligation Disposal Revenue Refunding Bonds that will refund the \$10,475,000 General Obligation Disposal System Revenue Bonds, and resulted in Prairie Lakes increasing the principal payments owed to Otter Tail County by \$150,000 but will result in a lower total future cash outlay as the

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10. Discretely Presented Component Unit Disclosures

B. Detailed Notes

2. Liabilities

Advance from Primary Government

Prairie Lakes (Continued)

refunding bonds were issued with a lower interest rate than the refunded bonds. On December 31, 2015, Otter Tail County advanced funds to Prairie Lakes to zero out a negative pooled cash balance. The advance balance consists of the following at December 31, 2019:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original</u>	<u>Balance</u>
Advance from primary government – 2011	2030	\$405,000 - \$755,000	3.00 - 5.00	\$ 10,475,000	\$ 945,000
Advance from primary government – 2013	2034	\$630,000 - \$1,970,000	2.00 - 3.80	19,380,000	16,070,000
Advance from primary government – 2018	2028	\$85,000 - \$125,000	3.00 - 4.00	1,065,000	980,000
Advance from primary government – 2015	-	Varies	0.25	2,788,620	2,646,736
Advance from primary government – 2019	2030	\$650,000 - \$805,000	1.85 - 2.45	<u>6,365,000</u>	<u>6,365,000</u>
Total Advance from Primary Government				<u>\$ 40,073,620</u>	<u>\$ 27,006,736</u>

Repayment of the advance from primary government – 2015 will be through a combination of \$1 per ton of waste received at the Prairie Lakes facility as well as 50 percent of any revenues above expenses at the end of each year, exclusive of the first \$200,000 set aside as major capital expenses. Because of the variable repayment amounts, a final debt payment schedule is not available. The following payment schedule does not include the debt service applicable to this advance.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

10. Discretely Presented Component Unit Disclosures

B. Detailed Notes

2. Liabilities

Advance from Primary Government (Continued)

The future minimum obligations as of December 31, 2019, were as follows:

Year Ending December 31	Future Minimum Obligations
2020	\$ 2,178,261
2021	2,244,216
2022	2,175,478
2023	2,180,900
2024	2,179,905
2025 - 2029	10,751,756
2030 - 2034	9,415,671
Total future minimum advance payments	\$ 31,126,187
Less: amount representing interest	(6,766,187)
Advance Balance	\$ 24,360,000

Changes in Long-Term Liabilities

Prairie Lakes

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loan	\$ -	\$ 195,318	\$ 34,803	\$ 160,515	\$ 47,757
Advance from primary government	28,183,889	150,000	1,327,153	27,006,736	1,285,000
Compensated absences	352,733	172,055	134,136	390,652	84,568
Long-Term Liabilities	\$ 28,536,622	\$ 517,373	\$ 1,496,092	\$ 27,557,903	\$ 1,417,325

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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10. Discretely Presented Component Unit Disclosures

B. Detailed Notes (Continued)

3. Defined Benefit Pension Plan

Prairie Lakes

Plan Description

All full-time and certain part-time employees of Prairie Lakes are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan) which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Prairie Lakes employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Contributions

Prairie Lakes' contributions for the General Employees Plan for the year ended December 31, 2019, were \$137,770. The contributions are equal to the contractually required contributions as set by state statute.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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10. Discretely Presented Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

Prairie Lakes (Continued)

Pension Costs

At December 31, 2019, Prairie Lakes reported a liability of \$1,420,895 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Prairie Lakes' proportion of the net pension liability was based on Prairie Lakes' contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, Prairie Lakes' proportion was 0.0257 percent. It was 0.0264 percent measured as of June 30, 2018. Prairie Lakes recognized pension expense of \$49,766 for its proportionate share of the General Employees Plan's pension expense.

Prairie Lakes also recognized \$3,308 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually.

Prairie Lakes' proportionate share of the net pension liability	\$ 1,420,895
State of Minnesota's proportionate share of the net pension liability associated with Prairie Lakes	<u>44,165</u>
Total	<u>\$ 1,465,060</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

10. Discretely Presented Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

Prairie Lakes

Pension Costs (Continued)

Prairie Lakes reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 39,970	\$ -
Changes in actuarial assumptions	-	114,308
Difference between projected and actual investment earnings	-	150,499
Changes in proportion	14,209	32,317
Contributions paid to PERA subsequent to the measurement date	69,422	-
Total	\$ 123,601	\$ 297,124

The \$69,422 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	\$ (77,168)
2021	(129,100)
2022	(38,966)
2023	2,289

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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10. Discretely Presented Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

Prairie Lakes (Continued)

Pension Liability Sensitivity

The following presents Prairie Lakes' proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what Prairie Lakes' proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>Proportionate Share of the</u>	
	<u>Discount</u>	<u>Net Pension</u>
	<u>Rate</u>	<u>Liability</u>
1% Decrease	6.50%	\$ 2,335,876
Current	7.50	1,420,895
1% Increase	8.50	665,397

Additional pension information regarding benefits provided, contributions, actuarial assumptions, discount rate, and pension plan fiduciary net position can be found in Note 3.E.1.

C. Risk Management

Prairie Lakes

Prairie Lakes is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees, or natural disasters. Prairie Lakes has entered into a joint powers agreement with Minnesota entities to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. Prairie Lakes is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, Prairie Lakes carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past four fiscal years.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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10. Discretely Presented Component Unit Disclosures

C. Risk Management

Prairie Lakes (Continued)

Prairie Lakes retains the risk for the deductible portion of the policies, which is considered immaterial to the financial statements. At December 31, 2019, there are no other claims liabilities reported in the financial statements based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated.

CDA

The Otter Tail Community Development Agency is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the CDA carries commercial insurance. To manage these risks, the CDA has entered into a joint powers agreement with Minnesota counties (through Otter Tail County) to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The CDA is a member of the MCIT Property and Casualty Division. The amount of settlements did not exceed insurance coverage.

The CDA retains the risk for the deductible portion of the policies, which is considered immaterial to the financial statements. At December 31, 2019, there are no other claims liabilities reported in the financial statements based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

10. Discretely Presented Component Unit Disclosures (Continued)

D. Other Items

Operating Budgets

Prairie Lakes

	Budget	Actual	Variance
Operating Revenues	\$ 8,345,920	\$ 8,231,170	\$ (114,750)
Operating Expenses	5,850,948	7,374,084	(1,523,136)
Operating Income (Loss)	\$ 2,494,972	\$ 857,086	\$ (1,637,886)
Nonoperating Revenues (Expenses)	(2,460,383)	(1,098,489)	1,361,894
Change in Net Position	\$ 34,589	\$ (241,403)	\$ (275,992)

CDA

	Budget	Actual	Variance
Revenues	\$ 541,800	\$ 515,300	\$ (26,500)
Expenditures	355,096	143,799	211,297
Change in Fund Balance	\$ 186,704	\$ 371,501	\$ 184,797

**REQUIRED SUPPLEMENTARY INFORMATION**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 23,542,608	\$ 23,000,808	\$ 21,755,051	\$ (1,245,757)
Special assessments	75,489	75,489	36,105	(39,384)
Licenses and permits	440,330	440,330	525,846	85,516
Intergovernmental	3,316,972	3,316,972	4,095,662	778,690
Charges for services	1,505,422	1,505,422	1,445,488	(59,934)
Fines and forfeits	23,400	23,400	12,826	(10,574)
Gifts and contributions	-	-	2,200	2,200
Investment earnings	500,000	500,000	783,123	283,123
Miscellaneous	1,971,824	1,971,824	2,130,590	158,766
<b>Total Revenues</b>	<b>\$ 31,376,045</b>	<b>\$ 30,834,245</b>	<b>\$ 30,786,891</b>	<b>\$ (47,354)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 508,623	\$ 508,623	\$ 501,315	\$ 7,308
Courts	362,000	362,000	260,721	101,279
County coordinator	902,081	960,248	1,011,900	(51,652)
County auditor	1,432,985	1,432,985	1,075,597	357,388
Motor vehicle	464,233	464,233	457,876	6,357
County treasurer	353,241	353,241	358,242	(5,001)
County assessor	1,404,335	1,404,335	1,346,820	57,515
Elections	48,600	48,600	56,993	(8,393)
Accounting and auditing	60,000	60,000	86,273	(26,273)
Board of Adjustments	26,300	26,300	23,960	2,340
Information technology	1,434,110	1,434,110	1,334,041	100,069
Attorney	1,907,432	1,907,432	1,775,154	132,278
Recorder	679,033	679,033	744,860	(65,827)
Planning and zoning	29,750	29,750	22,923	6,827
Land and resource	1,270,039	1,270,039	1,221,047	48,992
Facilities operations	2,432,537	2,432,537	2,301,162	131,375
Geographical information survey	662,005	603,838	570,726	33,112
Veterans service officer	390,105	390,105	352,482	37,623
Forfeited tax sale	-	-	71,029	(71,029)
Land trust	-	-	834	(834)
Unallocated	2,265,469	1,723,669	1,624,734	98,935
<b>Total general government</b>	<b>\$ 16,632,878</b>	<b>\$ 16,091,078</b>	<b>\$ 15,198,689</b>	<b>\$ 892,389</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 7,005,087	\$ 7,005,087	\$ 6,850,668	\$ 154,419
Boat and water safety	161,911	161,911	125,313	36,598
Coroner	142,710	142,710	109,065	33,645
County jail	3,802,847	3,802,847	3,559,773	243,074
Humane society	71,049	71,049	71,049	-
Snowmobile account	170,000	170,000	120,946	49,054
Emergency management	181,915	181,915	124,796	57,119
<b>Total public safety</b>	<b>\$ 11,535,519</b>	<b>\$ 11,535,519</b>	<b>\$ 10,961,610</b>	<b>\$ 573,909</b>
<b>Culture and recreation</b>				
Historical society	\$ 80,000	\$ 80,000	\$ 80,000	\$ -
History museum	132,770	132,770	132,770	-
County fairs	52,000	52,000	52,000	-
Phelps Mill Park	49,006	49,006	47,244	1,762
Viking Library	615,464	615,464	615,464	-
<b>Total culture and recreation</b>	<b>\$ 929,240</b>	<b>\$ 929,240</b>	<b>\$ 927,478</b>	<b>\$ 1,762</b>
<b>Conservation of natural resources</b>				
County extension	\$ 471,549	\$ 471,549	\$ 456,509	\$ 15,040
Soil and water conservation	467,813	467,813	475,154	(7,341)
Lake improvement districts	352,267	352,267	353,722	(1,455)
Aquatic invasive species	460,902	460,902	426,188	34,714
<b>Total conservation of natural resources</b>	<b>\$ 1,752,531</b>	<b>\$ 1,752,531</b>	<b>\$ 1,711,573</b>	<b>\$ 40,958</b>
<b>Economic development</b>				
Red River Valley Development Association	\$ 800	\$ 800	\$ 1,600	\$ (800)
West Central Minnesota Initiative	20,000	20,000	20,000	-
Rural life outreach	346,246	346,246	357,073	(10,827)
Missing heirs account	-	-	65,135	(65,135)
Veteran's van	3,000	3,000	1,744	1,256
Wellness account	-	-	2,774	(2,774)
<b>Total economic development</b>	<b>\$ 370,046</b>	<b>\$ 370,046</b>	<b>\$ 448,326</b>	<b>\$ (78,280)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Continued)</b>				
<b>Debt service</b>				
Principal	\$ 6,292	\$ 6,292	\$ 26,924	\$ (20,632)
Interest	1,049	1,049	1,579	(530)
<b>Total debt service</b>	<b>\$ 7,341</b>	<b>\$ 7,341</b>	<b>\$ 28,503</b>	<b>\$ (21,162)</b>
<b>Total Expenditures</b>	<b>\$ 31,227,555</b>	<b>\$ 30,685,755</b>	<b>\$ 29,276,179</b>	<b>\$ 1,409,576</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 148,490</b>	<b>\$ 148,490</b>	<b>\$ 1,510,712</b>	<b>\$ 1,362,222</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 2,100	\$ 2,100	\$ 1,524	\$ (576)
Transfers out	(87,575)	(87,575)	(87,575)	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (85,475)</b>	<b>\$ (85,475)</b>	<b>\$ (86,051)</b>	<b>\$ (576)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 63,015</b>	<b>\$ 63,015</b>	<b>\$ 1,424,661</b>	<b>\$ 1,361,646</b>
<b>Fund Balance – January 1</b>	<b>25,194,220</b>	<b>25,194,220</b>	<b>25,194,220</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 25,257,235</b>	<b>\$ 25,257,235</b>	<b>\$ 26,618,881</b>	<b>\$ 1,361,646</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 8,610,166	\$ 8,610,166	\$ 8,665,524	\$ 55,358
Intergovernmental	16,187,294	16,187,294	13,054,712	(3,132,582)
Charges for services	1,883,800	1,883,800	614,719	(1,269,081)
Miscellaneous	92,000	92,000	202,258	110,258
<b>Total Revenues</b>	<b>\$ 26,773,260</b>	<b>\$ 26,773,260</b>	<b>\$ 22,537,213</b>	<b>\$ (4,236,047)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 922,400	\$ 922,400	\$ 877,340	\$ 45,060
Maintenance	5,980,240	5,980,240	5,513,664	466,576
Construction	29,174,310	29,174,310	10,938,911	18,235,399
Equipment maintenance and shop	4,350,010	4,350,010	1,506,969	2,843,041
Materials and services for resale	-	-	10,816	(10,816)
<b>Total highways and streets</b>	<b>\$ 40,426,960</b>	<b>\$ 40,426,960</b>	<b>\$ 18,847,700</b>	<b>\$ 21,579,260</b>
<b>Intergovernmental</b>				
Highways and streets	1,410,000	1,410,000	1,604,962	(194,962)
<b>Total Expenditures</b>	<b>\$ 41,836,960</b>	<b>\$ 41,836,960</b>	<b>\$ 20,452,662</b>	<b>\$ 21,384,298</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (15,063,700)</b>	<b>\$ (15,063,700)</b>	<b>\$ 2,084,551</b>	<b>\$ 17,148,251</b>
<b>Other Financing Sources (Uses)</b>				
Bonds issued	13,000,000	13,000,000	-	(13,000,000)
<b>Net Change in Fund Balance</b>	<b>\$ (2,063,700)</b>	<b>\$ (2,063,700)</b>	<b>\$ 2,084,551</b>	<b>\$ 4,148,251</b>
<b>Fund Balance – January 1</b>	<b>4,847,388</b>	<b>4,847,388</b>	<b>4,847,388</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>105,199</b>	<b>105,199</b>
<b>Fund Balance – December 31</b>	<b>\$ 2,783,688</b>	<b>\$ 2,783,688</b>	<b>\$ 7,037,138</b>	<b>\$ 4,253,450</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 12,087,049	\$ 12,087,049	\$ 11,874,043	\$ (213,006)
Licenses and permits	165,000	165,000	178,542	13,542
Intergovernmental	13,811,688	13,811,688	14,104,834	293,146
Charges for services	1,814,121	1,814,121	1,900,375	86,254
Gifts and contributions	25,500	25,500	30,285	4,785
Investment earnings	-	-	1,218	1,218
Miscellaneous	478,000	478,000	513,154	35,154
<b>Total Revenues</b>	<b>\$ 28,381,358</b>	<b>\$ 28,381,358</b>	<b>\$ 28,602,451</b>	<b>\$ 221,093</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Community corrections	\$ 2,800,680	\$ 2,800,680	\$ 2,488,226	\$ 312,454
<b>Human services</b>				
Income maintenance	\$ 6,314,300	\$ 6,314,300	\$ 6,360,025	\$ (45,725)
Social services	15,534,716	15,534,716	15,065,132	469,584
<b>Total human services</b>	<b>\$ 21,849,016</b>	<b>\$ 21,849,016</b>	<b>\$ 21,425,157</b>	<b>\$ 423,859</b>
<b>Health</b>				
Nursing service	\$ 3,831,760	\$ 3,831,760	\$ 3,843,159	\$ (11,399)
<b>Total Expenditures</b>	<b>\$ 28,481,456</b>	<b>\$ 28,481,456</b>	<b>\$ 27,756,542</b>	<b>\$ 724,914</b>
<b>Net Change in Fund Balance</b>	<b>\$ (100,098)</b>	<b>\$ (100,098)</b>	<b>\$ 845,909</b>	<b>\$ 946,007</b>
<b>Fund Balance – January 1</b>	<b>13,870,216</b>	<b>13,870,216</b>	<b>13,870,216</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 13,770,118</b>	<b>\$ 13,770,118</b>	<b>\$ 14,716,125</b>	<b>\$ 946,007</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-4*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,816,339	\$ 1,816,339	\$ 2,036,877	\$ 220,538
Intergovernmental	145,132	145,132	287,486	142,354
Investment earnings	18,000	18,000	83,825	65,825
Miscellaneous	50,000	50,000	62,282	12,282
<b>Total Revenues</b>	<b>\$ 2,029,471</b>	<b>\$ 2,029,471</b>	<b>\$ 2,470,470</b>	<b>\$ 440,999</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
County treasurer	\$ 28,500	\$ 28,500	\$ 28,484	\$ 16
County assessor	26,000	26,000	22,835	3,165
Data processing	160,000	160,000	150,952	9,048
Elections	-	-	33,312	(33,312)
Facilities operations	169,357	169,357	131,552	37,805
Geographical information survey	12,500	12,500	-	12,500
Other general government	-	-	25,556	(25,556)
Chemical dependency facility	-	-	3,955	(3,955)
<b>Total general government</b>	<b>\$ 396,357</b>	<b>\$ 396,357</b>	<b>\$ 396,646</b>	<b>\$ (289)</b>
<b>Public safety</b>				
Sheriff	\$ 467,245	\$ 467,245	\$ 489,315	\$ (22,070)
Boat and water safety	60,000	60,000	60,549	(549)
Emergency services	15,000	15,000	-	15,000
Radio board	-	-	87,923	(87,923)
Community corrections	35,000	35,000	23,613	11,387
<b>Total public safety</b>	<b>\$ 577,245</b>	<b>\$ 577,245</b>	<b>\$ 661,400</b>	<b>\$ (84,155)</b>
<b>Highways and streets</b>				
Maintenance	\$ 941,700	\$ 941,700	\$ 1,501,071	\$ (559,371)
<b>Human services</b>				
Social services	\$ 134,000	\$ 134,000	\$ 133,999	\$ 1
<b>Health</b>				
Nursing service	\$ 150,600	\$ 150,600	\$ 116,635	\$ 33,965
<b>Culture and recreation</b>				
Phelps Mill Park	\$ 5,500	\$ 5,500	\$ 291,827	\$ (286,327)

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-4  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Conservation of natural resources</b>				
County extension	\$ 3,700	\$ 3,700	\$ 4,595	\$ (895)
<b>Total Expenditures</b>	<u>\$ 2,209,102</u>	<u>\$ 2,209,102</u>	<u>\$ 3,106,173</u>	<u>\$ (897,071)</u>
<b>Net Change in Fund Balance</b>	\$ (179,631)	\$ (179,631)	\$ (635,703)	\$ (456,072)
<b>Fund Balance – January 1</b>	<u>6,955,634</u>	<u>6,955,634</u>	<u>6,955,634</u>	<u>-</u>
<b>Fund Balance – December 31</b>	<u>\$ 6,776,003</u>	<u>\$ 6,776,003</u>	<u>\$ 6,319,931</u>	<u>\$ (456,072)</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-5*

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 195,084	\$ 189,402
Interest	97,210	93,027
Benefit payments	<u>(180,557)</u>	<u>(142,457)</u>
<b>Net change in total OPEB liability</b>	<b>\$ 111,737</b>	<b>\$ 139,972</b>
<b>Total OPEB Liability – Beginning</b>	<b><u>2,840,219</u></b>	<b><u>2,700,247</u></b>
<b>Total OPEB Liability – Ending</b>	<b><u><u>\$ 2,951,956</u></u></b>	<b><u><u>\$ 2,840,219</u></u></b>
Covered-employee payroll	\$ 26,782,914	\$ 26,002,829
Total OPEB liability (asset) as a percentage of covered-employee payroll	11.02%	10.92%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-6*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2019**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with Otter Tail County (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</b>	<b>Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2019	0.3265 %	\$ 18,051,454	\$ 560,976	\$ 18,612,430	\$ 23,104,080	78.13 %	80.23 %
2018	0.3299	18,301,499	600,284	18,901,783	22,159,080	82.59	79.53
2017	0.3328	21,245,732	267,174	21,512,906	21,436,853	99.11	75.90
2016	0.3254	26,420,866	345,119	26,765,985	20,189,156	130.87	68.91
2015	0.3193	16,547,783	N/A	16,547,783	18,763,471	88.19	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.  
The measurement date for each year is June 30.  
N/A – Not Applicable

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-7*

**SCHEDULE OF CONTRIBUTIONS  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2019**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2019	\$ 1,774,685	\$ 1,774,685	\$ -	\$ 23,662,467	7.50 %
2018	1,689,742	1,689,742	-	22,529,893	7.50
2017	1,636,875	1,636,875	-	21,825,001	7.50
2016	1,570,812	1,570,812	-	20,944,156	7.50
2015	1,442,294	1,442,294	-	19,230,587	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-8*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN  
DECEMBER 31, 2019**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2019	0.2888 %	\$ 3,074,568	\$ 3,047,847	100.88 %	89.26 %
2018	0.2762	2,944,008	2,894,963	101.69	88.84
2017	0.2680	3,618,319	2,747,296	131.70	85.43
2016	0.2750	11,036,229	2,653,923	415.85	63.88
2015	0.2660	3,022,382	2,439,613	123.89	86.61

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-9*

**SCHEDULE OF CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN  
DECEMBER 31, 2019**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b – a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2019	\$ 516,059	\$ 516,059	\$ -	\$ 3,044,596	16.95 %
2018	484,217	484,217	-	2,988,994	16.20
2017	459,024	459,024	-	2,833,481	16.20
2016	436,067	436,067	-	2,691,774	16.20
2015	408,632	408,632	-	2,522,420	16.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.  
The County's year-end is December 31.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-10*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN  
DECEMBER 31, 2019**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2019	0.910 %	\$ 125,990	\$ 1,941,109	6.49 %	98.17 %
2018	0.914	150,326	1,866,789	8.05	97.64
2017	0.910	2,593,510	1,825,989	142.03	67.89
2016	0.900	3,287,826	1,695,796	193.88	58.16
2015	1.010	156,146	1,812,160	8.62	96.95

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-11*

**SCHEDULE OF CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN  
DECEMBER 31, 2019**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b – a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2019	\$ 174,265	\$ 174,265	\$ -	\$ 1,991,600	8.75 %
2018	164,241	164,241	-	1,877,040	8.75
2017	163,871	163,871	-	1,872,811	8.75
2016	153,096	153,096	-	1,749,674	8.75
2015	151,474	151,474	-	1,731,131	8.75

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2019

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1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Prairie Lakes Municipal Solid Waste Authority Debt Service Fund, Chemical Dependency Debt Service Fund, Highway Construction Debt Service Fund, and the Construction Capital Projects Fund. All annual appropriations lapse at fiscal year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Auditor-Treasurer so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

2. Excess of Expenditures Over Budget

The following major fund had expenditures in excess of budget for the year ended December 31, 2019.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Capital Improvement Special Revenue Fund	\$ 3,106,173	\$ 2,209,102	\$ 897,071

3. Other Postemployment Benefits Funded Status

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Other Postemployment Benefits – Changes in Significant Actuarial Methods and Assumptions

No changes in actuarial methods or assumptions occurred in 2019.

The following changes in actuarial methods and assumptions occurred in 2018:

- The actuarial cost method used changed from the Projected Unit Credit to Entry Age Normal Percent of Pay.
- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with blue collar adjustment for police and fire personnel) to the RP-2014 White Collar Mortality Tables (de-trended to 2006) and then projected beyond the valuation date using scale MP-2017 (with blue collar adjustment for police and fire personnel).
- The discount rate was changed from 3.50 percent to 3.30 percent.
- The retirement and withdrawal tables for all employees were updated.

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

General Employees Retirement Plan

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2018 (Continued)

- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2017 (Continued)

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019 and returns to \$6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2018 (Continued)

- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan (Continued)

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Local Government Correctional Service Retirement Plan

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan

2018 (Continued)

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan (Continued)

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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**SUPPLEMENTARY INFORMATION**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

County Ditch – to account for the financing of repairs to the ditch system that are deemed to benefit the properties against which special assessments are levied.

Law Library – to account for the financial activities relating to the operation of the County’s Law Library. Financing is provided by a charge for services levied on cases in district and County court. Expenditures for Law Library books and periodicals are made from the Law Library Fund upon approval of the Law Library Board of Trustees.

Sheriff’s Contingent – to account for both the advance and reimbursement of travel expenses by the County Sheriff and one-quarter of liquor and narcotics fines to be used for investigating violations of liquor and narcotics laws.

DEBT SERVICE FUNDS

Government Service Center – to account for the retirement of bonds issued for the remodeling of the Government Service Center.

Sheriff Operations – to account for the retirement of bonds issued for the construction of the Sheriff’s Operations Center.

Highway Construction – to account for the retirement of bonds issued for the construction of the public works garage facility and various county highway resurfacing, reconstruction, and bridge projects.

Master Facility Construction – to account for the retirement of bonds issued for the improvements on the jail and courthouse facilities.

Detention Facility – to account for the retirement of bonds issued for the construction of additional holding cells and an additional elevator in the detention facility.

Public Buildings – to account for the retirement of bonds issued for the purpose of refunding previously issued bonds to fund the Ottertail Operations Center, the library project, and the CARE building.

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	<b>Special Revenue (Exhibit B-3)</b>	<b>Debt Service (Exhibit B-5)</b>	<b>Total (Exhibit 3)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 936,669	\$ 1,819,797	\$ 2,756,466
Undistributed cash in agency funds	10,649	19,422	30,071
Taxes receivable – delinquent	-	25,875	25,875
Special assessments receivable			
Delinquent	9,587	-	9,587
Noncurrent	606,561	-	606,561
Due from other governments	4,428	-	4,428
<b>Total Assets</b>	<b>\$ 1,567,894</b>	<b>\$ 1,865,094</b>	<b>\$ 3,432,988</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 5,390	\$ -	\$ 5,390
Due to other funds	36,551	-	36,551
Advance from other funds	570,387	-	570,387
<b>Total Liabilities</b>	<b>\$ 612,328</b>	<b>\$ -</b>	<b>\$ 612,328</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenues	<b>\$ 614,364</b>	<b>\$ 19,910</b>	<b>\$ 634,274</b>
<b>Fund Balances</b>			
Restricted			
Debt service	\$ -	\$ 1,845,184	\$ 1,845,184
Law library	125,988	-	125,988
Ditch maintenance and construction	724,319	-	724,319
Sheriff's contingencies	5,000	-	5,000
Assigned			
Public safety	10,015	-	10,015
Unassigned	(524,120)	-	(524,120)
<b>Total Fund Balances</b>	<b>\$ 341,202</b>	<b>\$ 1,845,184</b>	<b>\$ 2,186,386</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,567,894</b>	<b>\$ 1,865,094</b>	<b>\$ 3,432,988</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Special Revenue (Exhibit B-4)</b>	<b>Debt Service (Exhibit B-6)</b>	<b>Total (Exhibit 5)</b>
<b>Revenues</b>			
Taxes	\$ -	\$ 1,140,242	\$ 1,140,242
Special assessments	363,415	-	363,415
Intergovernmental	149,000	22,303	171,303
Fines and forfeits	58,891	-	58,891
Investment earnings	-	452	452
	<b>\$ 571,306</b>	<b>\$ 1,162,997</b>	<b>\$ 1,734,303</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 50,744	\$ -	\$ 50,744
Public safety	6,177	-	6,177
Conservation of natural resources	230,530	-	230,530
<b>Debt service</b>			
Principal	-	1,680,000	1,680,000
Interest	-	318,090	318,090
	<b>\$ 287,451</b>	<b>\$ 1,998,090</b>	<b>\$ 2,285,541</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 283,855</b>	<b>\$ (835,093)</b>	<b>\$ (551,238)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ 1,498,586	\$ 1,498,586
Transfers out	(1,524)	(835,766)	(837,290)
Bonds issued	-	63,353	63,353
	<b>\$ (1,524)</b>	<b>\$ 726,173</b>	<b>\$ 724,649</b>
<b>Net Change in Fund Balance</b>	<b>\$ 282,331</b>	<b>\$ (108,920)</b>	<b>\$ 173,411</b>
<b>Fund Balance – January 1</b>	<b>58,871</b>	<b>1,954,104</b>	<b>2,012,975</b>
<b>Fund Balance – December 31</b>	<b>\$ 341,202</b>	<b>\$ 1,845,184</b>	<b>\$ 2,186,386</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-3*

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2019**

	<b>County Ditch</b>	<b>Law Library</b>	<b>Sheriff's Contingent</b>	<b>Total</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 794,704	\$ 127,313	\$ 14,652	\$ 936,669
Undistributed cash in agency funds	10,649	-	-	10,649
Special assessments receivable				
Delinquent	9,587	-	-	9,587
Noncurrent	606,561	-	-	606,561
Due from other governments	-	4,065	363	4,428
<b>Total Assets</b>	<b>\$ 1,421,501</b>	<b>\$ 131,378</b>	<b>\$ 15,015</b>	<b>\$ 1,567,894</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 5,390	\$ -	\$ 5,390
Due to other funds	36,551	-	-	36,551
Advance from other funds	570,387	-	-	570,387
<b>Total Liabilities</b>	<b>\$ 606,938</b>	<b>\$ 5,390</b>	<b>\$ -</b>	<b>\$ 612,328</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues	<b>\$ 614,364</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 614,364</b>
<b>Fund Balances</b>				
Restricted				
Law library	\$ -	\$ 125,988	\$ -	\$ 125,988
Ditch maintenance and construction	724,319	-	-	724,319
Sheriff's contingencies	-	-	5,000	5,000
Assigned				
Public safety	-	-	10,015	10,015
Unassigned	(524,120)	-	-	(524,120)
<b>Total Fund Balances</b>	<b>\$ 200,199</b>	<b>\$ 125,988</b>	<b>\$ 15,015</b>	<b>\$ 341,202</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,421,501</b>	<b>\$ 131,378</b>	<b>\$ 15,015</b>	<b>\$ 1,567,894</b>

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-4*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>County Ditch</u>	<u>Law Library</u>	<u>Sheriff's Contingent</u>	<u>Total</u>
<b>Revenues</b>				
Special assessments	\$ 363,415	\$ -	\$ -	\$ 363,415
Intergovernmental	149,000	-	-	149,000
Fines and forfeits	-	52,798	6,093	58,891
<b>Total Revenues</b>	<b>\$ 512,415</b>	<b>\$ 52,798</b>	<b>\$ 6,093</b>	<b>\$ 571,306</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ -	\$ 50,744	\$ -	\$ 50,744
Public safety	-	-	6,177	6,177
Conservation of natural resources	230,530	-	-	230,530
<b>Total Expenditures</b>	<b>\$ 230,530</b>	<b>\$ 50,744</b>	<b>\$ 6,177</b>	<b>\$ 287,451</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 281,885</b>	<b>\$ 2,054</b>	<b>\$ (84)</b>	<b>\$ 283,855</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(1,524)	(1,524)
<b>Net Change in Fund Balance</b>	<b>\$ 281,885</b>	<b>\$ 2,054</b>	<b>\$ (1,608)</b>	<b>\$ 282,331</b>
<b>Fund Balance – January 1</b>	<b>(81,686)</b>	<b>123,934</b>	<b>16,623</b>	<b>58,871</b>
<b>Fund Balance – December 31</b>	<b>\$ 200,199</b>	<b>\$ 125,988</b>	<b>\$ 15,015</b>	<b>\$ 341,202</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2019**

	<b>Government Service Center</b>	<b>Sheriff Operations</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 4,997	\$ 809,091
Undistributed cash in agency funds	1,001	8,137
Taxes receivable – delinquent	5,228	10,268
<b>Total Assets</b>	<b>\$ 11,226</b>	<b>\$ 827,496</b>
 <b><u>Deferred Inflows of Resources and Fund Balances</u></b>		
<b>Deferred Inflows of Resources</b>		
Unavailable revenues	\$ 4,832	\$ 7,769
<b>Fund Balances</b>		
Restricted for Debt service	6,394	819,727
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 11,226</b>	<b>\$ 827,496</b>

**EXHIBIT B-5**

<u>Highway Construction</u>	<u>Master Facility Construction</u>	<u>Detention Facility</u>	<u>Total</u>
\$ 117,623	\$ 701,287	\$ 186,799	\$ 1,819,797
-	8,817	1,467	19,422
-	8,710	1,669	25,875
<u>\$ 117,623</u>	<u>\$ 718,814</u>	<u>\$ 189,935</u>	<u>\$ 1,865,094</u>
\$ -	\$ 6,088	\$ 1,221	\$ 19,910
<u>117,623</u>	<u>712,726</u>	<u>188,714</u>	<u>1,845,184</u>
<u>\$ 117,623</u>	<u>\$ 718,814</u>	<u>\$ 189,935</u>	<u>\$ 1,865,094</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Government Service Center</b>	<b>Sheriff Operations</b>
<b>Revenues</b>		
Taxes	\$ 4,569	\$ 488,427
Intergovernmental	-	9,571
Investment earnings	452	-
	<b>\$ 5,021</b>	<b>\$ 497,998</b>
<b>Expenditures</b>		
<b>Debt service</b>		
Principal	\$ 500,000	\$ -
Interest	7,797	423
	<b>\$ 507,797</b>	<b>\$ 423</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (502,776)</b>	<b>\$ 497,575</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ 114,921
Transfers out	(370,816)	(464,950)
Bonds issued	-	-
	<b>\$ (370,816)</b>	<b>\$ (350,029)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (873,592)</b>	<b>\$ 147,546</b>
<b>Fund Balance – January 1</b>	<b>879,986</b>	<b>672,181</b>
<b>Fund Balance – December 31</b>	<b>\$ 6,394</b>	<b>\$ 819,727</b>

**EXHIBIT B-6**

<b>Highway Construction</b>	<b>Master Facility Construction</b>	<b>Detention Facility</b>	<b>Public Buildings</b>	<b>Total</b>
\$ -	\$ 558,295	\$ 88,951	\$ -	\$ 1,140,242
-	10,993	1,739	-	22,303
-	-	-	-	452
<b>\$ -</b>	<b>\$ 569,288</b>	<b>\$ 90,690</b>	<b>\$ -</b>	<b>\$ 1,162,997</b>
\$ -	\$ 170,000	\$ 115,000	\$ 895,000	\$ 1,680,000
-	111,847	39,223	158,800	318,090
<b>\$ -</b>	<b>\$ 281,847</b>	<b>\$ 154,223</b>	<b>\$ 1,053,800</b>	<b>\$ 1,998,090</b>
<b>\$ -</b>	<b>\$ 287,441</b>	<b>\$ (63,533)</b>	<b>\$ (1,053,800)</b>	<b>\$ (835,093)</b>
\$ 54,270	\$ 163,860	\$ 111,735	\$ 1,053,800	\$ 1,498,586
-	-	-	-	(835,766)
63,353	-	-	-	63,353
<b>\$ 117,623</b>	<b>\$ 163,860</b>	<b>\$ 111,735</b>	<b>\$ 1,053,800</b>	<b>\$ 726,173</b>
\$ 117,623	\$ 451,301	\$ 48,202	\$ -	\$ (108,920)
-	261,425	140,512	-	1,954,104
<b>\$ 117,623</b>	<b>\$ 712,726</b>	<b>\$ 188,714</b>	<b>\$ -</b>	<b>\$ 1,845,184</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-7*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 350,000	\$ 350,000	\$ 363,415	\$ 13,415
Intergovernmental	-	-	149,000	149,000
<b>Total Revenues</b>	<b>\$ 350,000</b>	<b>\$ 350,000</b>	<b>\$ 512,415</b>	<b>\$ 162,415</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Drainage ditches	150,000	150,000	230,530	(80,530)
<b>Net Change in Fund Balance</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>\$ 281,885</b>	<b>\$ 81,885</b>
<b>Fund Balance – January 1</b>	<b>(81,686)</b>	<b>(81,686)</b>	<b>(81,686)</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 118,314</b>	<b>\$ 118,314</b>	<b>\$ 200,199</b>	<b>\$ 81,885</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-8*

**BUDGETARY COMPARISON SCHEDULE  
LAW LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Fines and forfeits	\$ 57,000	\$ 57,000	\$ 52,798	\$ (4,202)
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Law library	54,830	54,830	50,744	4,086
<b>Net Change in Fund Balance</b>	<b>\$ 2,170</b>	<b>\$ 2,170</b>	<b>\$ 2,054</b>	<b>\$ (116)</b>
<b>Fund Balance – January 1</b>	<b>123,934</b>	<b>123,934</b>	<b>123,934</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 126,104</b>	<b>\$ 126,104</b>	<b>\$ 125,988</b>	<b>\$ (116)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-9*

**BUDGETARY COMPARISON SCHEDULE  
SHERIFF'S CONTINGENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Fines and forfeits	\$ 9,600	\$ 9,600	\$ 6,093	\$ (3,507)
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Sheriff	7,500	7,500	6,177	1,323
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ 2,100	\$ 2,100	\$ (84)	\$ (2,184)
<b>Other Financing Sources (Uses)</b>				
Transfers out	(2,100)	(2,100)	(1,524)	576
<b>Net Change in Fund Balance</b>	\$ -	\$ -	\$ (1,608)	\$ (1,608)
<b>Fund Balance – January 1</b>	<u>16,623</u>	<u>16,623</u>	<u>16,623</u>	<u>-</u>
<b>Fund Balance – December 31</b>	<u>\$ 16,623</u>	<u>\$ 16,623</u>	<u>\$ 15,015</u>	<u>\$ (1,608)</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-10*

**BUDGETARY COMPARISON SCHEDULE  
GOVERNMENT SERVICE CENTER DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 4,569	\$ 4,569
Investment earnings	-	-	452	452
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,021</b>	<b>\$ 5,021</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
Interest	4,375	4,375	7,797	(3,422)
<b>Total Expenditures</b>	<b>\$ 504,375</b>	<b>\$ 504,375</b>	<b>\$ 507,797</b>	<b>\$ (3,422)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (504,375)</b>	<b>\$ (504,375)</b>	<b>\$ (502,776)</b>	<b>\$ 1,599</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(370,816)	(370,816)
<b>Net Change in Fund Balance</b>	<b>\$ (504,375)</b>	<b>\$ (504,375)</b>	<b>\$ (873,592)</b>	<b>\$ (369,217)</b>
<b>Fund Balance – January 1</b>	<b>879,986</b>	<b>879,986</b>	<b>879,986</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 375,611</b>	<b>\$ 375,611</b>	<b>\$ 6,394</b>	<b>\$ (369,217)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-11*

**BUDGETARY COMPARISON SCHEDULE  
SHERIFF OPERATIONS DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 497,070	\$ 497,070	\$ 488,427	\$ (8,643)
Intergovernmental	-	-	9,571	9,571
<b>Total Revenues</b>	<b>\$ 497,070</b>	<b>\$ 497,070</b>	<b>\$ 497,998</b>	<b>\$ 928</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Interest	-	-	423	(423)
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 497,070</b>	<b>\$ 497,070</b>	<b>\$ 497,575</b>	<b>\$ 505</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	114,921	114,921
Transfers out	(464,475)	(464,475)	(464,950)	(475)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (464,475)</b>	<b>\$ (464,475)</b>	<b>\$ (350,029)</b>	<b>\$ 114,446</b>
<b>Net Change in Fund Balance</b>	<b>\$ 32,595</b>	<b>\$ 32,595</b>	<b>\$ 147,546</b>	<b>\$ 114,951</b>
<b>Fund Balance – January 1</b>	<b>672,181</b>	<b>672,181</b>	<b>672,181</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 704,776</b>	<b>\$ 704,776</b>	<b>\$ 819,727</b>	<b>\$ 114,951</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-12*

**BUDGETARY COMPARISON SCHEDULE  
MASTER FACILITY CONSTRUCTION DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 571,463	\$ 571,463	\$ 558,295	\$ (13,168)
Intergovernmental	-	-	10,993	10,993
<b>Total Revenues</b>	<b>\$ 571,463</b>	<b>\$ 571,463</b>	<b>\$ 569,288</b>	<b>\$ (2,175)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 170,000	\$ 170,000	\$ 170,000	\$ -
Interest	110,950	110,950	111,847	(897)
<b>Total Expenditures</b>	<b>\$ 280,950</b>	<b>\$ 280,950</b>	<b>\$ 281,847</b>	<b>\$ (897)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 290,513</b>	<b>\$ 290,513</b>	<b>\$ 287,441</b>	<b>\$ (3,072)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	163,860	163,860
<b>Net Change in Fund Balance</b>	<b>\$ 290,513</b>	<b>\$ 290,513</b>	<b>\$ 451,301</b>	<b>\$ 160,788</b>
<b>Fund Balance – January 1</b>	<b>261,425</b>	<b>261,425</b>	<b>261,425</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 551,938</b>	<b>\$ 551,938</b>	<b>\$ 712,726</b>	<b>\$ 160,788</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-13*

**BUDGETARY COMPARISON SCHEDULE  
DETENTION FACILITY DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 90,460	\$ 90,460	\$ 88,951	\$ (1,509)
Intergovernmental	-	-	1,739	1,739
<b>Total Revenues</b>	<b>\$ 90,460</b>	<b>\$ 90,460</b>	<b>\$ 90,690</b>	<b>\$ 230</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 115,000	\$ 115,000	\$ 115,000	\$ -
Interest	38,325	38,325	39,223	(898)
<b>Total Expenditures</b>	<b>\$ 153,325</b>	<b>\$ 153,325</b>	<b>\$ 154,223</b>	<b>\$ (898)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (62,865)</b>	<b>\$ (62,865)</b>	<b>\$ (63,533)</b>	<b>\$ (668)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	111,735	111,735
<b>Net Change in Fund Balance</b>	<b>\$ (62,865)</b>	<b>\$ (62,865)</b>	<b>\$ 48,202</b>	<b>\$ 111,067</b>
<b>Fund Balance – January 1</b>	<b>140,512</b>	<b>140,512</b>	<b>140,512</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 77,647</b>	<b>\$ 77,647</b>	<b>\$ 188,714</b>	<b>\$ 111,067</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-14*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC BUILDINGS DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 895,000	\$ 895,000	\$ 895,000	\$ -
Interest	158,325	158,325	158,800	(475)
<b>Total Expenditures</b>	<b>\$ 1,053,325</b>	<b>\$ 1,053,325</b>	<b>\$ 1,053,800</b>	<b>\$ (475)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>1,053,325</u>	<u>1,053,325</u>	<u>1,053,800</u>	<u>475</u>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balance – January 1</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance – December 31</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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**FIDUCIARY FUNDS**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT C-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>FAMILY SERVICES COLLABORATIVE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 620,157	\$ 424,305	\$ 371,206	\$ 673,256
Due from other funds	658	715	658	715
<b>Total Assets</b>	<b>\$ 620,815</b>	<b>\$ 425,020</b>	<b>\$ 371,864</b>	<b>\$ 673,971</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 10,139	\$ 10,761	\$ 10,139	\$ 10,761
Due to other governments	610,676	414,259	361,725	663,210
<b>Total Liabilities</b>	<b>\$ 620,815</b>	<b>\$ 425,020</b>	<b>\$ 371,864</b>	<b>\$ 673,971</b>
 <b><u>MORTGAGE REGISTRATION FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 73,874	\$ 1,255,392	\$ 1,205,830	\$ 123,436
<b><u>Liabilities</u></b>				
Due to other governments	\$ 73,874	\$ 1,255,392	\$ 1,205,830	\$ 123,436
 <b><u>STATE REVENUE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 272,821	\$ 1,502,252	\$ 1,567,445	\$ 207,628
Due from other funds	42	40	42	40
<b>Total Assets</b>	<b>\$ 272,863</b>	<b>\$ 1,502,292</b>	<b>\$ 1,567,487</b>	<b>\$ 207,668</b>
<b><u>Liabilities</u></b>				
Due to other governments	\$ 272,863	\$ 1,502,292	\$ 1,567,487	\$ 207,668

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT C-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TAXES AND PENALTIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,073,736	\$ 104,564,737	\$ 104,545,696	\$ 1,092,777
<b><u>Liabilities</u></b>				
Due to other governments	\$ 1,073,736	\$ 104,564,737	\$ 104,545,696	\$ 1,092,777
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 2,040,588	\$ 107,746,686	\$ 107,690,177	\$ 2,097,097
Due from other funds	700	755	700	755
<b>Total Assets</b>	<b>\$ 2,041,288</b>	<b>\$ 107,747,441</b>	<b>\$ 107,690,877</b>	<b>\$ 2,097,852</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 10,139	\$ 10,761	\$ 10,139	\$ 10,761
Due to other governments	2,031,149	107,736,680	107,680,738	2,087,091
<b>Total Liabilities</b>	<b>\$ 2,041,288</b>	<b>\$ 107,747,441</b>	<b>\$ 107,690,877</b>	<b>\$ 2,097,852</b>

**COMMUNITY DEVELOPMENT AGENCY**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT D-1*

**GENERAL FUND BALANCE SHEET  
AND GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION  
COMMUNITY DEVELOPMENT AGENCY  
DECEMBER 31, 2019**

	General Fund	Reconciliation	Governmental Activities
<u>Assets</u>			
<b>Current assets</b>			
Cash	\$ 374,898	\$ -	\$ 374,898
	374,898	-	374,898
 <u>Liabilities and Fund Balance/Net Position</u>			
<b>Current liabilities</b>			
Accounts payable	\$ 3,397	\$ -	\$ 3,397
 <b>Fund Balance</b>			
Restricted for economic development	371,501	(371,501)	
 <b>Net Position</b>			
Restricted for economic development		371,501	371,501
 <b>Total Liabilities and Fund Balance/Net Position</b>	<b>\$ 374,898</b>	<b>\$ -</b>	<b>\$ 374,898</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT D-2*

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
AND STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES  
COMMUNITY DEVELOPMENT AGENCY  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>General Fund</b>	<b>Reconciliation</b>	<b>Governmental Activities</b>
<b>Revenues</b>			
Taxes	\$ 515,300	\$ -	\$ 515,300
<b>Expenditures/Expenses</b>			
<b>Current</b>			
Economic development	143,799	-	143,799
<b>Net Change in Fund Balance/Change in Net Position</b>	<b>\$ 371,501</b>	<b>\$ -</b>	<b>\$ 371,501</b>
<b>Fund Balance/Net Position – January 1</b>	-	-	-
<b>Fund Balance/Net Position – December 31</b>	<b>\$ 371,501</b>	<b>\$ -</b>	<b>\$ 371,501</b>

## **OTHER SCHEDULES**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT E-1*

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2019**

	<u>Number of Items</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
<b>Cash and Pooled Investments</b>				
Noninterest-bearing checking	Three	-	Continuous	\$ 2,074,366
Interest-bearing checking	Five	Varies	Continuous	7,817,190
Credit Union Share/Savings	One	0.05	Continuous	5
Certificates of deposit	Forty-five	0.25 to 2.28	January 31, 2020 to September 14, 2021	15,881,748
Money market savings	Thirteen	0.05 to 1.16	Continuous	19,403,426
U.S. Treasury notes	Twelve	1.38 to 1.88	January 15, 2020 to December 15, 2020	20,988,285
Treasury Securities – State and Local Government Series	Twelve	1.55 to 1.63	February 1, 2020 to February 1, 2024	8,700,599
Commercial Paper	One	1.88	January 6, 2020	999,723
Municipal Bond	One	2.64	July 1, 2021	1,128,447
Negotiable certificate of deposit	Sixteen	1.80 to 3.10	January 21, 2020 to October 20, 2024	<u>3,746,042</u>
<b>Total Cash and Pooled Investments, Excluding Change Funds</b>				<b><u>\$ 80,739,831</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET – BY DITCH  
COUNTY DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2019**

	Assets				
	Cash and Pooled Investments	Undistributed Cash	Special Assessments Receivable		Total
			Delinquent	Noncurrent	
<b>Judicial Ditches</b>					
1	\$ -	\$ -	\$ -	\$ -	\$ -
2	169,562	518	104	9,148	179,332
3	-	-	-	-	-
4	-	-	-	-	-
5	-	-	-	-	-
<b>County Ditches</b>					
1	-	-	-	-	-
2	-	-	-	-	-
3	92	-	-	-	92
4	41,278	849	1,018	6,000	49,145
5/36/68	19,654	22	1,242	17,347	38,265
8	10,577	1,360	23	25,336	37,296
10	-	-	-	-	-
11	14,147	-	-	1,200	15,347
12	24,591	28	69	2,000	26,688
13	-	-	-	-	-
14	-	-	-	-	-
15/28	84,095	267	370	9,997	94,729
16	71,887	127	682	10,011	82,707
17	-	-	-	-	-
18/37	24,899	400	2	18,431	43,732
19	-	-	-	-	-
20	-	-	-	-	-
21	46,417	41	192	10,000	56,650
23	79,153	406	377	9,987	89,923
25	10,175	698	580	19,992	31,445
27	-	-	-	-	-
29	3,834	63	54	8,632	12,583
30	18,607	26	180	2,062	20,875
31	-	-	-	-	-
32	-	-	-	-	-
35	-	-	-	-	-
38	58,682	483	608	20,000	79,773
39	5,138	-	-	3,234	8,372
40	-	-	-	-	-
41/65	5,930	117	876	14,942	21,865
42	-	-	-	-	-
43	14,744	319	-	4,390	19,453
44	9,685	314	285	10,000	20,284
45	-	-	-	-	-
46	-	-	-	-	-
47	-	-	-	-	-
48	8,911	1,052	2,776	24,051	36,790
49	-	-	-	-	-
50	-	-	-	-	-
51	-	-	-	-	-
52	-	-	-	-	-
53	46,823	-	42	5,000	51,865

Liabilities and Deferred Inflows of Resources					Total Liabilities, Deferred Inflows of Resources, and Fund Balance
Due to Other Funds	Advance from Other Funds	Unavailable Revenue	Total	Fund Balance	
\$ -	\$ 584	\$ -	\$ 584	\$ (584)	\$ -
393	3,563	9,253	13,209	166,123	179,332
-	373	-	373	(373)	-
-	519	-	519	(519)	-
-	1,977	-	1,977	(1,977)	-
-	1,050	-	1,050	(1,050)	-
-	42	-	42	(42)	-
-	-	-	-	92	92
4,270	-	6,792	11,062	38,083	49,145
279	787	17,853	18,919	19,346	38,265
-	33,840	25,358	59,198	(21,902)	37,296
-	3,617	-	3,617	(3,617)	-
-	-	1,200	1,200	14,147	15,347
-	-	2,064	2,064	24,624	26,688
3,684	-	-	3,684	(3,684)	-
-	12,323	-	12,323	(12,323)	-
-	557	10,284	10,841	83,888	94,729
755	467	10,632	11,854	70,853	82,707
500	31,343	-	31,843	(31,843)	-
-	1,412	18,432	19,844	23,888	43,732
3,922	2,413	-	6,335	(6,335)	-
373	6,268	-	6,641	(6,641)	-
1,370	-	10,018	11,388	45,262	56,650
-	435	10,248	10,683	79,240	89,923
238	9,095	20,523	29,856	1,589	31,445
-	1,504	-	1,504	(1,504)	-
1,501	627	8,658	10,786	1,797	12,583
1,464	133	2,242	3,839	17,036	20,875
119	2,674	-	2,793	(2,793)	-
-	777	-	777	(777)	-
-	143	-	143	(143)	-
912	-	20,597	21,509	58,264	79,773
-	-	3,234	3,234	5,138	8,372
-	479	-	479	(479)	-
497	6,095	15,727	22,319	(454)	21,865
1,953	166	-	2,119	(2,119)	-
2,479	-	4,390	6,869	12,584	19,453
609	5,497	10,083	16,189	4,095	20,284
351	15,910	-	16,261	(16,261)	-
-	361	-	361	(361)	-
-	212	-	212	(212)	-
465	29,304	26,827	56,596	(19,806)	36,790
119	65	-	184	(184)	-
-	1,389	-	1,389	(1,389)	-
-	693	-	693	(693)	-
6,814	20,015	-	26,829	(26,829)	-
-	-	5,042	5,042	46,823	51,865

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET – BY DITCH  
COUNTY DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2019**

	<u>Assets</u>				
	<u>Cash and Pooled Investments</u>	<u>Undistributed Cash</u>	<u>Special Assessments Receivable</u>		<u>Total</u>
			<u>Delinquent</u>	<u>Noncurrent</u>	
<b>County Ditches (Continued)</b>					
54	-	-	-	-	-
55	3,430	-	-	33,165	36,595
56	7,853	647	107	6,000	14,607
57	-	-	-	-	-
58	2,542	940	-	15,494	18,976
59	67	-	-	-	67
62	48	-	-	-	48
63	-	-	-	-	-
64	-	-	-	-	-
70	11,883	1,972	-	320,142	333,997
<b>Total</b>	<b>\$ 794,704</b>	<b>\$ 10,649</b>	<b>\$ 9,587</b>	<b>\$ 606,561</b>	<b>\$ 1,421,501</b>

**EXHIBIT E-2**  
**(Continued)**

<b>Liabilities and Deferred Inflows of Resources</b>					<b>Fund Balance</b>	<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>
<b>Due to Other Funds</b>	<b>Advance from Other Funds</b>	<b>Unavailable Revenue</b>	<b>Total</b>			
-	601	-	601	(601)	-	
112	33,295	33,164	66,571	(29,976)	36,595	
-	-	6,107	6,107	8,500	14,607	
-	661	-	661	(661)	-	
109	541	15,494	16,144	2,832	18,976	
-	-	-	-	67	67	
-	-	-	-	48	48	
1,677	6,019	-	7,696	(7,696)	-	
-	15,827	-	15,827	(15,827)	-	
1,586	316,734	320,142	638,462	(304,465)	333,997	
<b>\$ 36,551</b>	<b>\$ 570,387</b>	<b>\$ 614,364</b>	<b>\$ 1,221,302</b>	<b>\$ 200,199</b>	<b>\$ 1,421,501</b>	

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT E-3**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Governmental Funds</b>	<b>Enterprise Fund</b>	<b>All Funds</b>
<b>Appropriations and Shared Revenue</b>			
<b>State</b>			
Highway users tax	\$ 11,006,478	\$ -	\$ 11,006,478
County program aid	2,038,656	-	2,038,656
PERA rate reimbursement	64,946	-	64,946
PERA pension contributions	78,102	2,898	81,000
Police aid	336,613	-	336,613
Local government aid	8,223	-	8,223
Market value credit	702,978	-	702,978
Disparity reduction aid	13,255	-	13,255
Residential Treatment Services Center Allocation	500,000	-	500,000
Aquatic invasive species aid	464,366	-	464,366
SCORE	-	166,415	166,415
E-911	142,132	-	142,132
Riparian aid	160,000	-	160,000
Out of home placement aid	3,012	-	3,012
	<b>\$ 15,518,761</b>	<b>\$ 169,313</b>	<b>\$ 15,688,074</b>
<b>Total appropriations and shared revenue</b>			
<b>Reimbursement for Services</b>			
<b>State</b>			
Minnesota Department of Human Services	<b>\$ 2,942,043</b>	<b>\$ -</b>	<b>\$ 2,942,043</b>
	<b>\$ 2,942,043</b>	<b>\$ -</b>	<b>\$ 2,942,043</b>
<b>Payments</b>			
<b>Local</b>			
Payments in lieu of taxes	\$ 523,191	\$ -	\$ 523,191
Payments for interest on bonds	1,085,934	-	1,085,934
	<b>\$ 1,609,125</b>	<b>\$ -</b>	<b>\$ 1,609,125</b>
<b>Total Payments</b>			
<b>Grants</b>			
<b>State</b>			
Minnesota Department/Board of			
Agriculture	\$ -	\$ -	\$ -
Corrections	288,393	-	288,393
Employment and Economic Development	1,491	-	1,491
Public Safety	108,859	-	108,859
Health	475,835	-	475,835
Veterans Affairs	12,500	-	12,500
Natural Resources	218,837	-	218,837
Human Services	3,844,923	-	3,844,923
Water and Soil Resources	294,900	-	294,900
Peace Officer Standards and Training Board	35,790	-	35,790
Minnesota Pollution Control Agency	-	89,036	89,036
	<b>\$ 5,281,528</b>	<b>\$ 89,036</b>	<b>\$ 5,370,564</b>
<b>Total state</b>			

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT E-3  
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>All Funds</u>
<b>Grants (Continued)</b>			
<b>Federal</b>			
Department of			
Agriculture	\$ 913,925	\$ -	\$ 913,925
Transportation	1,927,675	-	1,927,675
Education	1,802	-	1,802
Health and Human Services	5,032,998	-	5,032,998
Homeland Security	72,074	-	72,074
	<u>7,948,474</u>	<u>-</u>	<u>7,948,474</u>
<b>Total federal</b>	<b>\$ 7,948,474</b>	<b>\$ -</b>	<b>\$ 7,948,474</b>
<b>Total state and federal grants</b>	<b>\$ 13,230,002</b>	<b>\$ 89,036</b>	<b>\$ 13,319,038</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 33,299,931</b>	<b>\$ 258,349</b>	<b>\$ 33,558,280</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT E-4**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>				
Passed Through Partnership4Health Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not Provided	\$ 300,527	\$ -
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2514	531,975	-
Passed Through Minnesota Department of Agriculture WIC Farmers' Market Nutrition Program (FMNP)	10.572	62125	497	-
<b>Total U.S. Department of Agriculture</b>			<b>\$ 832,999</b>	<b>\$ -</b>
<b>U.S. Department of Transportation</b>				
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	1030056	\$ 111,469	\$ -
Passed Through Minnesota Department of Public Safety Highway Safety Cluster				
State and Community Highway Safety	20.600	F-SAFE19-2019- OTTERPH-3327	5,452	-
State and Community Highway Safety	20.600	F-SAFE19-2019- OTTERPH-3459	5,044	-
State and Community Highway Safety	20.600	F-SAFE19-2019- OTTERPH-3592	5,803	-
State and Community Highway Safety	20.600	F-SAFE19-2019- OTTERPH-3740	4,906	-
State and Community Highway Safety	20.600	F-ENFRC19-2019- OTTERSD-3251	433	257
State and Community Highway Safety	20.600	F-ENFRC19-2019- OTTERSD-3542	4,877	3,345
State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$30,190)	20.600	F-ENFRC19-2019- OTTERSD-3709	3,675	3,001

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT E-4  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Transportation</b>				
Passed Through Minnesota Department of Public Safety (Continued)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC19-2019- OTTERSD-3251	8,684	5,161
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC19-2019- OTTERSD-3388	2,932	1,688
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC19-2019- OTTERSD-3542	7,127	4,888
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC19-2019- OTTERSD-3709	13,019	10,631
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$153,755)				
Passed Through Minnesota Trial Courts				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	Not Provided	121,993	-
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$153,755)				
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
National Priority Safety Programs	20.616	F-ENFRC19-2019- OTTERSD-3542	7,524	5,160
National Priority Safety Programs	20.616	F-ENFRC19-2019- OTTERSD-3709	1,284	1,048
(Total National Priority Safety Programs 20.616 \$8,808)				
<b>Total U.S. Department of Transportation</b>			<b>\$ 304,222</b>	<b>\$ 35,179</b>
<b>U.S. Department of Education</b>				
Passed Through Partnership4Health Community Health Board				
Special Education – Grants for Infants and Families	84.181	H181A150029	<b>\$ 1,802</b>	<b>\$ -</b>
<b>U.S. Department of Health and Human Services</b>				
Passed Through Northwest Regional Development Commission				
Aging Cluster				
Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	93.044	Not Provided	\$ 27,725	\$ -
Passed Through Partnership4Health Community Health Board				
Public Health Emergency Preparedness	93.069	NU90TP922026	25,693	-
Food and Drug Administration – Research	93.103	G-SP-1810-06350	4,625	-

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT E-4  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Health and Human Services</b>				
Passed Through Partnership4Health Community Health Board (Continued)				
Early Hearing Detection and Intervention	93.251	Not Provided	525	-
Immunization Cooperative Agreements	93.268	Not Provided	3,550	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds TANF Cluster	93.539	Not Provided	500	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$542,126)	93.558	1801MNTANF	76,566	-
Maternal and Child Health Services Block Grant to the States	93.994	B04MC30621	71,535	-
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families TANF Cluster	93.556	G-1801MNF PSS	14,940	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$542,126)	93.558	1901MNTANF	465,560	-
Child Support Enforcement	93.563	1901MNC EST	1,029,697	-
Child Support Enforcement (Total Child Support Enforcement 93.563 \$1,237,332)	93.563	1901MNC SES	207,635	-
Refugee and Entrant Assistance – State Administered Programs	93.566	1901MNR CMA	593	-
Community-Based Child Abuse Prevention Grants CCDF Cluster	93.590	G-1801MNBCAP	7,550	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1901MNC CDF	9,869	-
Affordable Care Act: Testing Experience and Functional Assessment Tools	93.627	Not Provided	167,380	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNC WSS	10,730	-
Foster Care – Title IV-E	93.658	1901MNF OST	495,379	-
Social Services Block Grant	93.667	G-1901MNS OSR	396,790	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1901MNC ILP	6,500	-
Children's Health Insurance Program Medicaid Cluster	93.767	1905MN5021	476	-
Medical Assistance Program	93.778	1905MN5ADM	2,247,950	-
Medical Assistance Program (Total Medical Assistance Program 93.778 \$2,265,783)	93.778	1905MN5MAP	17,833	-

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT E-4  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Health and Human Services (Continued)</b>				
Passed Through Polk-Norman-Mahnomen Community Health Board Maternal, Infant and Early Childhood Home Visiting Grant	93.870	118491	149,615	-
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 5,439,216</b>	<b>\$ -</b>
<b>U.S. Department of Homeland Security</b>				
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	173764	\$ 38,654	\$ -
Passed Through Minnesota Department of Public Safety  Emergency Management Performance Grants	97.042	F-EMPG-2018- OTTERCO-2893	33,420	-
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 72,074</b>	<b>\$ -</b>
<b>Total Federal Awards</b>			<b>\$ 6,650,313</b>	<b>\$ 35,179</b>
<b>Totals by Cluster</b>				
Total expenditures for SNAP Cluster			\$ 531,975	
Total expenditures for Highway Planning and Construction Cluster			111,469	
Total expenditures for Highway Safety Cluster			38,998	
Total expenditures for Aging Cluster			27,725	
Total expenditures for TANF Cluster			542,126	
Total expenditures for CCDF Cluster			9,869	
Total expenditures for Medicaid Cluster			2,265,783	

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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1. Summary of Significant Accounting Policies

A. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Otter Tail County. The County's reporting entity is defined in Note 1 to the financial statements.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Otter Tail County under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Otter Tail County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Otter Tail County.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. De Minimis Cost Rate

Otter Tail County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	7,948,474
Grants received more than 60 days after year-end, unavailable revenue in 2019		
Public Health Emergency Preparedness		162
Food and Drug Administration – Research		2,947
Promoting Safe and Stable Families		3,066
Temporary Assistance for Needy Families		100,378
Community-Based Child Abuse Prevention Grants		3,775
Child Care and Development Fund		898
Stephanie Tubbs Jones Child Welfare Services Program		2,462
Foster Care – Title IV-E		36,688
John H. Chafee Foster Care Program for Successful Transition to Adulthood		1,625
Maternal, Infant and Early Childhood Home Visiting Grant		46,501
Maternal and Child Health Services Block Grant to the States		7,500
Federal awards passed through the Family Services Collaborative for the Local Collaborative Time Study		344,285
Unavailable in 2018, recognized as revenue in 2019		
Special Supplemental Nutrition Program for Women, Infants, and Children		(80,926)
Highway Planning and Construction		(1,623,453)
Public Health Emergency Preparedness		(6,212)
Promoting Safe and Stable Families		(4,700)
Temporary Assistance for Needy Families		(115,776)
Community-Based Child Abuse Prevention Grants		(10,017)
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds		(1,000)
Stephanie Tubbs Jones Child Welfare Services Program		(4,271)
John H. Chafee Foster Care Program for Successful Transition to Adulthood		(1,625)
Maternal and Child Health Services Block Grant to the States		(468)
		(468)
Expenditures Per Schedule of Expenditures of Federal Awards	\$	6,650,313



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**OTTER TAIL COUNTY**

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JULIE BLAHA  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

### Independent Auditor's Report

Board of County Commissioners  
Otter Tail County  
Fergus Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Otter Tail County, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 15, 2020. This report does not include the results of our audit testing of the Otter Tail County Community Development Agency component unit's internal control over financial reporting or compliance and other matters that are reported on separately within the Management and Compliance Section.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Otter Tail County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002, that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Otter Tail County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Minnesota Legal Compliance**

In connection with our audit, nothing came to our attention that caused us to believe that Otter Tail County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

## **Other Matters**

Included in the Schedule of Findings and Questions Costs is a management practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose.

## **Otter Tail County's Response to Findings**

Otter Tail County's responses to the internal control and management practices findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

September 15, 2020

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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JULIE BLAHA  
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## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

### Independent Auditor's Report

Board of County Commissioners  
Otter Tail County  
Fergus Falls, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited Otter Tail County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2019. Otter Tail County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Otter Tail County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about Otter Tail County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

***Basis for Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)***

As described in the accompanying Schedule of Findings and Questioned Costs, Otter Tail County did not comply with requirements regarding CFDA No. 93.778, Medical Assistance Program, as described in finding number 2019-003 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

***Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Otter Tail County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended December 31, 2019.

***Unmodified Opinion on the Other Major Federal Programs***

In our opinion, Otter Tail County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2019.

Otter Tail County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of Otter Tail County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-003, that we consider to be a material weakness.

Otter Tail County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

September 15, 2020

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for major federal programs: **Unmodified, except for the Medicaid Cluster, which is qualified.**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal programs are:

Child Support Enforcement	CFDA No. 93.563
Medicaid Cluster	
Medical Assistance Program	CFDA No. 93.778

The threshold for distinguishing between Types A and B programs was \$750,000.

Otter Tail County qualified as a low-risk auditee? **No**

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INTERNAL CONTROL

Finding Number: 2019-001

Prior Year Finding Number: 1996-006

Repeat Finding Since: 1996

Segregation of Duties

**Criteria:** Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect County assets, proper segregation of the record keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

**Condition:** Due to the limited number of personnel within several Otter Tail County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

**Context:** This is not unusual in operations the size of Otter Tail County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

**Effect:** Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Cause:** The County informed us that it is not practical to collect fees for services provided in various departments only at one collection point. Having collection points within the departments provides a convenience to the customer and cost savings to the County, which otherwise would have to establish a billing system for collecting fees for services provided throughout the County. In departments that collect larger amounts of fees, such as Motor Vehicles, the County uses cash registers to record the transactions and limits access to collections. The Land and Resource Department has established a policy that it will only collect checks, so any cash payments are made at the Treasurer's Office. For the various landfills and transfer stations throughout the County, collections are deposited at a local bank daily to limit the cash on hand. Although, the County has established procedures to limit risks, some of the departments are limited in staff so it is not practical to segregate the record keeping function from the custody function for fees collected.

**Recommendation:** We recommend Otter Tail County's elected officials and management be mindful that limited staffing increases the risks in safeguarding the County's assets and the proper recording of its financial activity and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

**View of Responsible Official:** Acknowledged

Finding Number: 2019-002

Prior Year Finding Number: 2008-001

Repeat Finding Since: 2008

Documenting and Monitoring Internal Controls

**Criteria:** County management is responsible for the County's internal control over financial reporting. This responsibility requires performing an assessment of existing controls over significant functions used to produce financial information for the Board, management, and for external financial reporting. The risk assessment is intended to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Condition:** Otter Tail County maintains narratives to document the controls in place over its significant transaction cycles; however, there is no formal risk assessment process in place to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure.

**Context:** Local governments tend to establish controls but fail to periodically review those controls to ensure they are appropriate for all of the changes that take place over time.

**Effect:** The internal control environment is constantly changing with changes in staffing, information systems, processes, and the services provided. Changes may have taken place that reduce or negate the effectiveness of internal controls, which may go unnoticed without a formal and timely risk assessment process in place.

**Cause:** The County informed us that it lacks resources dedicated to establishing a formal process for assessing risks, documenting the internal controls established to reduce those risks, and monitoring those controls.

**Recommendation:** Otter Tail County management should document the significant internal controls in its accounting system, including an assessment of risk and the processes used to minimize the risks. A formal plan should be developed that calls for monitoring the internal control structure on a regular basis, no less than annually. The monitoring activity should also be documented to show the results of the review, any changes required, and who performed the work.

**View of Responsible Official:** Concur

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

Finding Number: 2019-003

Prior Year Finding Number: 2017-003

Repeat Finding Since: 2017

Eligibility

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

**Program:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), 1905MN5ADM and 1905MN5MAP, 2019

**Pass-Through Agency:** Minnesota Department of Human Services (DHS)

**Criteria:** Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.

**Condition:** The Minnesota DHS maintains the computer systems, MAXIS and METS, which are used by Otter Tail County to support the eligibility determination process. When performing the case file review for eligibility, not all documentation was available to support participant eligibility in MAXIS or METS. In other circumstances, information was not updated or input in MAXIS or METS. The following instances were noted in the sample of 50 MAXIS and METS case files tested:

- One instance where there was no documentation to support the income amount entered into MAXIS.
- One instance where the income per documentation received was incorrectly input into MAXIS.
- Three instances where current bank statements were not maintained to support the account balances that were input into MAXIS.
- One instance where the account balance per the bank statement submitted was incorrectly input into MAXIS.
- One instance where the client's social security number was not input into METS.
- One instance where the client's citizenship was not verified in METS.
- One instance where monthly income was not input into METS.

**Questioned Costs:** Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

**Context:** Pursuant to Minnesota statutes, the County performs any “intake function” needed for this program, while the state maintains the MAXIS and METS systems, which support the eligibility determination process and actually pays the benefits to the participants.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

**Effect:** The lack of updated information in MAXIS or METS and verification of eligibility-determining factors increases the risk that a program participant will receive benefits when they are not eligible.

**Cause:** County program personnel entering case information into the MAXIS or METS systems did not ensure all required information was input or updated in MAXIS or METS correctly or that all required information was obtained and/or retained.

**Recommendation:** We recommend the County implement additional review procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exists and is properly input or updated in MAXIS or METS and maintained in case files, and that issues are followed up on in a timely manner. In addition, consideration should be given to providing additional training to program personnel.

**View of Responsible Official:** Concur

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

MANAGEMENT PRACTICES

Finding Number: 2019-004

Prior Year Finding Number: 2009-002

Repeat Finding Since: 2009

Ditch Fund Balance Deficits

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Criteria:** Assets should exceed liabilities in order for the County to meet its obligations and maintain a positive fund balance. Under Minn. Stat. § 103E.655, drainage project costs must be paid from the appropriate drainage system account. Through the levying of assessments, Minn. Stat. § 103E.735, subd. 1, permits the accumulation of a surplus balance for the repair costs of a ditch system not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is greater.

**Condition:** As of December 31, 2019, the County had individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balance amounts.

**Context:** Thirty-four of the 57 individual ditch systems had deficit fund balances as of December 31, 2019, totaling \$524,120. Four of the ditch systems have sufficient current levies to cover the deficit; however, the other 30 ditch systems do not. Negative ditch fund balances are not unusual.

**Effect:** Allowing a ditch system to maintain a deficit fund balance, in effect, constitutes an interest-free loan from other individual ditch systems and may be inconsistent with Minn. Stat. § 103E.655.

**Cause:** Ditch expenditures were necessary, and the ditch levies were not sufficient to cover all costs.

**Recommendation:** We recommend the County eliminate the ditch fund balance deficits by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair costs of a ditch system.

**View of Responsible Official:** Concur

**V. PREVIOUSLY REPORTED ITEMS RESOLVED**

2016-001 Audit Adjustments

2017-004 Uniform Guidance Written Procurement Policies and Procedures (CFDA  
No. 20.205 and CFDA No. 93.778)

2017-007 Publication of Board Minutes

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**OTTER TAIL COUNTY**  
**AUDITOR - TREASURER'S OFFICE**  
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**REPRESENTATION OF OTTER TAIL COUNTY**  
**FERGUS FALLS, MINNESOTA**

**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Finding Number: 2019-001**  
**Prior Year Finding Number 1996-006**  
**Finding Title: Segregation of Duties**

Name of Contact Person Responsible for Corrective Action:

Finance Division Director and/or Assistant Finance Division Director

Corrective Action Planned:

Progress has been made to address this concern; however, additional efforts to formalize existing policy and procedures in written format that can be shared with all staff to inform them of the County's expectations needs to be undertaken in upcoming fiscal years. In addition, the County's financial management team needs to develop procedures and a practice to internally audit those departments with limited personnel where the level of segregation is not as adequate as desired and if significant weaknesses are identified implement reasonable and practical changes to address those weaknesses.

Anticipated Completion Date:

Formalizing written policies and procedures - Ongoing  
Internal Audits - Ongoing

**Finding Number: 2019-002**

**Prior Year Finding Number: 2008-001**

**Finding Title: Documenting and Monitoring Internal Controls**

Name of Contact Person Responsible for Corrective Action:

Finance Division Director and/or Assistant Finance Division Director

Corrective Action Planned:

The finance division director and/or the assistant finance division director will take the lead role to update narratives annually and work with other financial management team members to perform a risk assessment of existing internal controls over the procedures, policies and significant functions which are used to produce financial information for both internal and external reporting. If the assessment indicates that existing internal controls are no longer adequate, members of the financial management team will work to develop and implement the necessary changes to ensure that a sound internal control structure is being maintained. Internal controls directly relating to audit findings will be evaluated immediately.

Anticipated Completion Date:

Risk Assessment - Ongoing

Development and Implementation of Changes - Ongoing

**Finding Number 2019-003**

**Prior Year Finding Number: 2017-003**

**Finding Title: Eligibility**

**Program: Medical Assistance Program (CFDA No. 93.778)**

Name of Contact Person Responsible for Corrective Action:

Financial Assistance Supervisors:

Stephanie R. Swenson

Cheryl D. Ranum

Human Services Director:

Deborah A. Sjostrom

Corrective Action Planned:

The agency will complete case reviews with emphasis on accurate data entry. The agency will also review with staff the importance of ensuring the information entered into the system is accurate and consistent with the information provided by the client on the application and consistent with any verifications provided.

Anticipated Completion Date:

Ongoing

**Finding Number: 2019-004**

**Prior Year Finding Number: 2009-002**

**Finding Title: Ditch Fund Balance Deficits**

Name of Contact Person Responsible for Corrective Action:

Finance Division Director

Corrective Action Planned:

Ditch system benefits are being re-determined and assessments are being levied annually; however, time to fully resolve this concern will be needed as there is significant cost associated with the redetermination process which also leads to repair and maintenance costs being incurred prior to having assessments placed on each system. Also, annually levied assessments are not always adequate to cover past cost and the cost that might occur in the current year due to various unknowns. However, the Otter Tail County Board of Commissioners is fully committed to the redetermination process and to levying assessments against each system to establishing a fund for future costs, which over time will resolve this issue.

Anticipated Completion Date:

Ongoing

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**OTTER TAIL COUNTY**  
**AUDITOR - TREASURER'S OFFICE**  
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**REPRESENTATION OF OTTER TAIL COUNTY**  
**FERGUS FALLS, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Finding Number: 1996-006**  
**Finding Title: Segregation of Duties**

**Summary of Condition:** Due to the limited number of personnel within several Otter Tail County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

**Summary of Corrective Action Previously Reported:**

Progress has been made to address this concern; however, additional efforts to formalize existing policy and procedures in written format that can be shared with all staff to inform them of the County's expectations needs to be undertaken in upcoming fiscal years. In addition, the County's financial management team needs to develop procedures and a practice to internally audit those departments with limited personnel where the level of segregation is not as adequate as desired and if significant weaknesses are identified implement reasonable and practical changes to address those weaknesses.

**Status:** Not Corrected. The County's financial management team is aware of areas that have been identified as lacking segregation of accounting duties and responsibilities. County management continues to evaluate to ensure segregation of duties is in place where possible and feasible. Management will document and implement formal policies and procedures with additional supervisory review where needed.

Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number: 2008-001**

**Finding Title: Documenting and Monitoring Internal Controls**

**Summary of Condition:** Otter Tail County maintains narratives to document the controls in place over its significant transaction cycles; however, there is no formal risk assessment process in place to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure.

**Summary of Corrective Action Previously Reported:** The Finance Division Director and/or the Assistant Finance Division Director will take the lead role to work with other financial management team members to, at least annually, perform a risk assessment of existing internal controls over the procedures, policies and significant functions which are used to produce financial information for both internal and external reporting. If the assessment indicates that existing controls are no longer adequate, members of the financial management team will work to develop and implement the necessary changes to ensure that a sound internal control structure is being maintained. Internal controls directly related to audit findings will be evaluated immediately.

**Status:** Not Corrected. The finance division director and/or the assistant finance division director will take the lead role to update narratives annually and work with other financial management team members to perform a risk assessment of existing internal controls over the procedures, policies and significant functions which are used to produce financial information for both internal and external reporting. If the assessment indicates that existing internal controls are no longer adequate, members of the financial management team will work to develop and implement the necessary changes to ensure that a sound internal control structure is being maintained.

Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number: 2016-001**

**Finding Title: Audit Adjustments**

**Summary of Condition:** A material audit adjustment was identified that resulted in significant changes to the County's financial statements.

**Summary of Corrective Action Previously Reported:** Internal controls focusing on the posting of journal entries will be reviewed and updated as necessary. It will also be recommended that at least quarterly a review by members of the financial management team of the receipt, disbursement, and journal entries posted to the County's general ledger be completed to determine that all transactions have been properly coded and posted. Transactions that are identified as having been incorrectly posted will be reviewed, policies and procedures will be reviewed, the issue will be discussed with staff and general ledger corrections will be authorized by a supervisor within the finance division.

**Status:** Corrected. Otter Tail County hired an additional staff person who began employment midway through 2018, which allowed for ongoing review of all general ledger entries. The Assistant Finance Director does a monthly review of the receipt, disbursement, and journal entries posted to the County's general ledger to determine that all transactions have been properly coded and posted. Transactions that are identified as having been incorrectly posted are reviewed, policies and procedures are reviewed, the issue is discussed with staff and general ledger corrections are authorized by a supervisor within the finance division.

Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number: 2017-003**

**Finding Title: Eligibility**

**Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA # 93.778)**

**Summary of Condition:** The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. When performing the case file review for eligibility, not all documentation was available to support participant eligibility. In other circumstances, information was not updated in MAXIS. The following instances were noted in the sample of 40 cases tested: Six instances were found where assets were either not properly verified or the incorrect amount was input into MAXIS; Two instances were found where income was either not properly verified or the incorrect amount was input into MAXIS; Three instances were found where there was no documentation of the availability of other health insurance requirements or there was no documentation of a cost-effective insurance determination; one instance was found where there was no documentation of annual application or eligibility re-determination; and one instance was found where there was no judicial determination or voluntary placement agreement for Foster Care.

**Summary of Corrective Action Previously Reported:** The agency will complete case reviews monthly with emphasis on accurate data entry. The agency will also review with staff the importance of ensuring the information entered into the system is accurate and consistent with the information provided by the client on the application and consistent with any verifications provided.

**Status:** Not Corrected. The County will continue to train staff regarding the importance of ensuring the information entered into the system is accurate and consistent with any verification provided. The agency will complete case reviews with an emphasis on accurate data entry.

Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number: 2017-004**

**Finding Title: Uniform Guidance Written Procurement Policies and Procedures**

**Program: U.S. Department of Health and Human Services' Medical Assistance Program  
(CFDA # 93.778)**

**Summary of Condition:** The County has written procurement policies; however, these policies do not include the required components of a procurement policy in accordance with Title 2 U.S. *Code of Federal Regulations* §200.318.

**Summary of Corrective Action Previously Reported:** The County will review the written procurement policies and include specific language components required by Uniform Guidance in accordance with Title 2 U.S. *Code of Federal Regulations* §200.318.

**Status:** Corrected. The County updated the written procurement policies and included specific language components required by Uniform Guidance in accordance with Title 2 U.S. *Code of Federal Regulations* §200.318.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No  X

**Finding Number: 2017-005**

**Finding Title: Procurement, Suspension and Debarment**

**Program: U.S. Department of Health and Human Services' Medical Assistance Program  
(CFDA # 93.778)**

**Summary of Condition:** The following items were noted for the contracts tested: for two of four contracts tested, the County did not have a history of procurement including documentation for the rationale of selecting the vendor and the basis for the price, and for all four contracts tested, the County lacked documentation demonstrating that is reviewed vendors for suspension or debarment prior to entering in to the contracts.

**Summary of Corrective Action Previously Reported:** Directors in departments receiving federal funding will document the history of procurement transactions, including contract selection and rationale, in accordance with federal regulations. They will also verify vendors are not debarred or suspended, or that other exclusions apply prior to entering into contracts and will maintain the appropriate documentation. In addition, they will work with other internal County departments that may purchase on their behalf to document and verify in a similar manner.

**Status:** Not corrected. Directors in departments receiving federal funding will document the history of procurement transactions, including contract selection and rationale, in accordance with federal regulations. They will also verify vendors are not debarred or suspended, or that other exclusions apply prior to entering into contracts and maintain the appropriate documentation. In addition, they will work with other internal County departments that may purchase on their behalf to document and verify in a similar manner.

Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number: 2017-007**

**Finding Title: Publication of Board Minutes**

**Summary of Condition:** Not all summaries of the Board of County Commissioner meetings held in 2018 were published in the County's official newspaper within the 30-day requirement in accordance with Minn. Stat. §375.12

**Summary of Corrective Action Previously Reported:** Appropriate staff members will be trained on the requirements so that Board minutes will be published within the 30-day requirement to be compliance with Minn. Stat. §375.12.

**Status:** Corrected. New staff member was trained on the requirements and all Board minutes were subsequently published within the 30-day requirement to be in compliance with Minn. Stat. §375.12.

Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number: 2009-002**

**Finding Title: Ditch Fund Balance Deficits**

**Summary of Condition:** As of December 31, 2018, the County had individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balance amounts.

**Summary of Corrective Action Previously Reported:** Ditch system benefits are being re-determined and assessments are being levied annually; however, time to fully resolve this concern will be needed as there is significant cost associated with the redetermination process which also leads to repair and maintenance costs being incurred prior to having assessments placed on each system. Also, annually levied assessments are not always adequate to cover past cost and the cost that might occur in the current year due to various unknowns. However, the Otter Tail County

Board of Commissioners is fully committed to the redetermination process and to levying assessments against each system to establish a fund for future costs, which over time will resolve this issue.

**Status:** Not Corrected. As previously noted, this is an ongoing correction that will take many years to fully resolve. The Otter Tail County Board of Commissioners is committed to re-determining the benefits for all of Otter Tail County existing drainage systems and upon completion of the redetermination process to build maintenance funds for each system which under normal operating conditions will eliminate the deficit fund balances. The Otter Tail County Board of Commissioners, for those systems that have had their benefits re-determined, adopts annually a maintenance assessment which is intended to reduce the deficit fund balances and to build a fund for future maintenance of the system. The ditch fund balance deficits will be eliminated by the assessments that are currently being levied and by those assessments that will be levied in the future; however, under existing conditions it will not happen in a single fiscal year.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No  X

**OTTER TAIL COUNTY  
COMMUNITY DEVELOPMENT AGENCY**

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JULIE BLAHA  
STATE AUDITOR

# STATE OF MINNESOTA

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### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

#### Independent Auditor's Report

Board of Commissioners  
Otter Tail County Community Development Agency  
Fergus Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Otter Tail County, Minnesota, which include as Supplementary Information, the financial statements of the Otter Tail County Community Development Agency (CDA), a discretely presented component unit, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 15, 2020.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the CDA's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CDA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CDA's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the CDA's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the CDA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Minnesota Legal Compliance**

In connection with our audit, nothing came to our attention that caused us to believe that the CDA failed to comply with the provisions of the deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the CDA's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the CDA's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CDA's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 15, 2020